









**THE CONSTRUCTION OF PROFESSIONAL SPORTS ARENAS:  
FUNDING AND POLITICS**

by  
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## CHAPTER 1 INTRODUCTION

The popularity and influence of professional sports is at an all-time high. No longer just a nice diversion or “national pastime”, sports is now, in fact, a thriving industry that permeates nearly every facet of this country’s culture. Along with that popularity, of course, comes money, and the tools with which to harvest it are the stadiums and arenas being erected in record numbers around the country. They are expected to be conduits of financial well-being, both for the teams and their host cities, and are the subject of debate in nearly every medium to large community in North America.

Sports arenas are now absolutely vital to the teams they house. Years ago, teams that were worth the most and, often, played the best, were those located in the biggest cities. A steady stream of ticket-buying fans was all that was needed to stay financially afloat. Later, fat television contracts allowed all teams to share in the profits, but the growth of those monies slowed, while player salaries continued to escalate. Now, the revenue source that teams, large and small-market alike, seek to capitalize on are those produced by the facilities they play in. As explained in a recent exposé on the subject of professional sports by the *Dallas Morning News*:

More than ever before, the additional money that owners want comes from the stadium or arena. Baseball, football, basketball, and hockey teams are converting their facilities into cash cows, thanks largely to luxury suites and generous leases. The most profitable teams will be those that can take the most money out of where they play. That’s why there’s a slew of facilities being built. That’s why a record number of franchises are talking about moving. That’s why owners are cozying up to corporate America.<sup>1</sup>

The pro sports arena is also important to cities because sports teams are visualized by communities as catalysts of both economic development and civic pride. As such, the fields they play on are the primary means to reach one or both of those ends. That is, the



facilities are important to the teams; the teams are important to the cities; therefore, the facilities are important to the cities. Cities are spending hundreds of millions of dollars to build and renovate sports venues, often doing so before actually getting teams to fill them.

A building boom is underway, fueled by the professional sports team's quest to increase its value, meet the ever-rising salary demands of its players, maximize the portion of income it is not required to share, and defray the cost of modern-day ownership. The boom is especially prevalent in hockey and basketball, but construction cost totals will rise even further as costlier single-purpose baseball and football stadiums come on line.

The methods of funding these projects are as varied as the cities and teams that are doing so. The incredible cost of today's arenas makes simple or standard financing packages impossible. (The New England Patriots' Foxboro Stadium cost only \$6.7 million to build in 1977;<sup>2</sup> the New York Yankees are discussing a new stadium that would cost over *\$1 billion*.<sup>3</sup>) Public money, through taxes, bonds, even lotteries, continues to provide the bulk of the financing. Private team debt is undertaken more often now, though, as voters and officials have grown weary of what seems to be a never-ending series of ever-increasing demands by the teams. Revenue-generating amenities, like luxury suites, are only occasionally used to help pay for construction, furthering the argument against public subsidies for such projects.

A myriad of legal and political aspects surround the issue, and the criticism of pro sports has increased right along with the wave of new construction. Critics refer to the professional sports leagues as monopolistic "cartels" that use a host of special exemptions to assert bargaining powers over the cities that host them. Baseball's anti-trust exemption, the use of tax-exempt bonds to build stadiums, and the leagues' policies on franchise



relocation and public ownership are among the items that continue to be challenged by skeptical citizens, economists, and legislators.

This report attempts to analyze the many dynamics of professional sports as they relate to the construction of arenas and stadiums by examining:

- (1) The reasons sports teams are viewed with such importance by the cities that have, or wish to have, them;
- (2) why the stadiums and arenas they play in, and the revenues these venues produce, are of such interest to the teams;
- (3) how these facilities actually produce the much-desired revenues;
- (4) how many of today's stadium projects are funded; and
- (5) the tangential issues interacting with pro sports that may affect future stadium projects and the leagues themselves.



## CHAPTER 2 THE IMPORTANCE OF SPORTS

Before examining the importance of the arenas and stadiums teams play in, it is helpful to understand the growth and popularity of sports itself and the purposes cities feel teams serve beyond simple entertainment.

### The Growth of Sports

Despite astronomical player salaries, labor disputes, franchise moves and threats, and an industry, as a whole, that seems to have turned its back on the “average” ticket-buying sports fan, the popularity of professional sports has never been higher. Sports as a business has grown to the point where the actual athletic contests are dwarfed, money-wise, by the facility revenues they generate and the other industries they influence, as noted by *Financial World* magazine: “Sports is not simply another big business. It is one of the fastest growing industries in the U.S., and it is intertwined with virtually every aspect of the economy - from media and apparel to food and advertising ... sports is everywhere, accompanied by the sound of a cash register ringing incessantly.”<sup>4</sup>

- spending by U.S. and Canadian corporations to sponsor sporting events grew 15 percent annually between 1988 and 1993, from \$1.2 billion to \$2.4 billion.<sup>5</sup>
- network television sports advertising billings, though growing slower than in the 1970s and 1980s, still increased from \$1.8 billion in 1989 to \$2.2 billion in 1993; cable television billings for 1993 were \$714 million, more than twice 1988’s figure.<sup>6</sup>
- retail sales of licensed merchandise for the four major pro sports reached \$8.7 billion in 1993, a 34 percent annual climb from 1988’s \$2 billion.<sup>7</sup> The NBA



alone has seen merchandise sales climb from \$750 million in 1990 to \$2.5 billion in 1994.<sup>8</sup>

These secondary windfalls, of course, are rooted in the growth of professional sports itself. In 1967, there were a combined 61 franchises in the National Football League (NFL), National Basketball Association (NBA), National Hockey League (NHL), and Major League Baseball (MLB).<sup>9</sup> Today, there are 113, with two more MLB teams scheduled to begin play in 1998. Much of this is simple supply and demand: with a larger population, and a greater percentage interested in watching sports, more teams have come on line. Much of the growth, though, may be attributed to cities - government officials, business leaders, and citizens - attempting to piggyback the popularity of sports to increased prosperity. By getting, keeping, or even just attempting to get a team, communities seek either to (1) develop or spur economic activity, or (2) achieve a higher perceived status by becoming a "major league" city.

### **Sports Teams as Economic Engines**

In the 1960s and 1970s, city governments attempted to right the wrongs of the past by implementing massive social programs designed to empower the poor, uneducated, and racially oppressed. Later in the '70s and into the 1980s, as economies reached the crises, or at least stagnation, stage, big-city mayors like Edward Koch of New York, Federico Pena of Denver, and William Hudnut of Indianapolis sought to re-define local government's role as the orchestrator of economic activity and growth.<sup>10</sup> Sports franchises became, and still are, a popular means to that end. Constructing massive arenas and stadiums, the logic goes, will generate both short and long-term economic windfalls -- the short being the design and construction dollars spent both on the facility and the supporting road and utility infrastructure; the long being economic development in the



surrounding neighborhood (restaurants, bars, and other retailers), increased tax revenues and property values, and the creation of more jobs.

Virtually all proposed sports facilities carry the promise of such economic influence. When Oklahoma City voters agreed in 1993 to a five-year sales tax increase to fund a multi-purpose arena, baseball stadium, and miscellaneous other facilities, the main selling point was economic impact. The city's funding consultant stated: "This was not a sports or cultural or arts issue. This was an economic development and jobs issue. The idea of creating an infrastructure to spur economic growth was a major priority."<sup>11</sup> Denver voters approved more than \$220 million worth of central business district spending in 1988 as part of a "master plan for downtown growth" that included the construction of a new baseball stadium.<sup>12</sup>

Business and government leaders proposing new or renovated sports facilities usually commission official studies to demonstrate the impact their addition will have. Such studies often cite an economic "multiplier effect" as a theoretical byproduct of a large, new activity such as a stadium: an initial expenditure (a family of four going to see a ballgame, for example) leads to further spending (gasoline, parking, dining, other stops on the way to and from the game, etc.).<sup>13</sup> These calculations may not be good forecasts, though, as multiplier effects may be overestimated or inaccurate; the jobs created may be seasonal and/or low-paying; and the money spent by fans is usually discretionary and would be spent even if the team or facility was not there.<sup>14</sup> Economist Robert Baade, noting that multiplier effects do not account for the money *not* spent on other goods or services, argues: "The public sector may be helping to develop a particular segment of the economy at the expense of another."<sup>15</sup>

Economic studies and estimates, whether supporting or refuting an arena's positive influence, are usually questioned by the opposing side, but either argument



appears negated by the wide disparity of data purporting to show the financial impact (or lack thereof) teams have on their communities. Economist Baade, in a 1994 study of 32 cities that gained or lost professional sports franchises or stadiums over the past 30 years, found that only two showed “statistically significant” changes in their economic activity.<sup>16</sup> In 1987, however, the accounting firm of Touche Ross estimated the “probable impact” of a baseball team in northern New Jersey to be \$118 million.<sup>17</sup> A study conducted at the University of Pennsylvania concluded that sports teams contributed \$500 million to the Philadelphia economy in 1983 alone, while another study at the same school at approximately the same time found the economic contribution of sports teams to be negligible.<sup>18</sup>

Though assuming an economic benefit will accompany new sports venues is, at best, an arguable premise, the best development efforts appear to be those that include sports venues as a piece of a larger revitalization plan, one that carefully considers siting and matters of infrastructure, such as parking. The multipurpose stadiums built between 1965 and 1976 were often located outside the city’s downtown and came equipped with acres of parking lots.<sup>14</sup> This proved to be counter-productive to economic development because consumers (fans) simply came and went, producing no “multiplier effect” on the surrounding area.<sup>19</sup> Recent new stadiums, like those in Denver, Cleveland, and Baltimore, have been “integrated” into downtown neighborhoods (the way old-fashioned parks like Fenway in Boston used to be), helping to generate business by forcing fans to park downtown and walk to and from the stadium.<sup>14</sup> New Orleans provides the rare example of ample sports arena parking actually helping economic development. Though plagued by “legendary” cost overruns, the Superdome is widely credited with benefitting the downtown area, unwittingly, by attracting developers interested in using the arena’s substantial and low-cost parking lots for its potential clients.<sup>15</sup> Though high in cost,



Cleveland's Gateway Project, which included new basketball and baseball arenas and was also part of a larger development plan, has apparently succeeded in its mission of restoring public faith in that city's downtown. The project's director claims "we've had 18 new restaurants open downtown since Jacobs Field opened [and] six housing developments underway downtown near the Gateway. We're renovating old buildings into condos, offices, and the like. The city is alive now on weeknights."<sup>20</sup> Such was also the case in Baltimore, where the construction of an aquarium and new retail space were among the projects that accompanied the Orioles' new baseball park.<sup>21</sup>

With regard to issues of planning, siting, and economic impact, the *Houston Chronicle* recently offered an interesting contrast in outcomes by comparing the new baseball parks in Chicago and Denver, both of which were funded mostly with public monies:<sup>12</sup>

- Comiskey Park opened in Chicago in 1991, "born out of panic, with little community-wide planning," after years of relocation threats and siting battles - an example of "planning with a gun to your head."
- Coors Field opened in Denver in 1995 as part of a 1988 downtown "master plan," after years of coordinated effort and consensus between citizens, government, and team - "the crown jewel in a nice crown."
- Comiskey Park adjoins a turbulent neighborhood and offers views of low-rent housing towers and barbed-wire fences.
- Coors Field is "nestled gently" in Denver's downtown with spectacular views of the Rocky Mountains.
- Comiskey Park is among baseball's worst in attendance, has plenty of adjacent parking, and "has had no residual effect on the surrounding neighborhood."



- Coors Field leads all of baseball in attendance, provides fewer than 4,000 parking spaces, and has “significantly” impacted downtown retail business and transformed a nearby warehouse district into “a thriving residential region of lofts and apartments.”

### **Sports Teams as Image Builders**

While tangible economic benefits may be difficult to predict or prove, the psychological importance many residents and leaders of towns attach to professional teams is not. Author Charles Euchner, who has written a civics-oriented book about the dynamics of teams and cities, believes citizens view their teams not only as a form of entertainment, but as a means to define their community and eclipse mundane or troubling matters:

The emotional hold a team has on its home city stems partly from its ability to embody and enhance the city’s identity. Whether on the playing field or as the object of competition with a city that hopes to lure them away, the “home” team is a symbol for the whole community ... A city’s identification with a sports team creates vivid symbolism of a common interest, but it also washes away other less dramatic concerns that might be more important for the community, like schools, parks, housing, and libraries.<sup>22</sup>

Furthermore, people view sports teams differently than other industries. A consultant for Phoenix’ effort to build a new baseball stadium stated: “You don’t have people running around with the Intel semi-conductors on T-shirts and rooting for the next great microchip. There are a lot of non-monetary benefits of sports.”<sup>23</sup>

Communities often equate getting a major league sports team with becoming a “major league” city. Consider Nashville, Tennessee, where voters in May 1996 approved a bond issue to fund a football stadium with no team, as construction of a \$120 million multi-purpose arena with no hockey or basketball team approached completion. Nashville’s mayor, prior to the football stadium vote, contended that it was a vote either for or against the future of the city and its perceived status: “It’s almost turned into a



cultural vote ... it deals with fundamental questions about what kind of city we're going to be ... it puts you in a slightly different category - your peers are San Francisco and Chicago, not Mobile."<sup>24</sup> An Indianapolis city planner noted that the Hoosier Dome gave citizens "confidence in the city and encouraged them to think that downtown is an OK place to be."<sup>15</sup> Pepperdine University economics professor Dean Baim commented on the prospect of baseball's Giants re-locating: "San Jose is the second-largest city in California, but if you asked people what the second-largest city in California is, they would say San Francisco or San Diego or Sacramento. But if San Jose gets the Giants, suddenly it's a big town."<sup>25</sup>

The unique stature of sports franchises is enhanced by their exclusivity.<sup>26</sup> That is, because not every town has one, it becomes a more valuable commodity. The end result is that sports teams often command more power and bargaining leverage than other local industries, even though the other businesses may supply more jobs and tangible economic impact to the community. This causes cities of all sizes to make unusually generous concessions and offers in order to get or keep a team in town. The city of Irwindale, California paid the Los Angeles Raiders \$10 million *just to listen* to their proposal for relocating the team there in the late 1980s.<sup>27</sup>



### CHAPTER 3 “IF YOU BUILD IT, HE WILL COME”

The most illustrative cases of a community's willingness to obtain a professional team, and thereby reach the “major leagues” in terms of image and status, are those teamless cities, like Nashville, in which stadiums or arenas are built with the hope of enticing a new or relocated franchise. Though increasing in frequency, this practice is not new, having started in 1953, when Milwaukee built a baseball stadium to lure the Boston Braves.<sup>28</sup>

The strategy of building before getting a team is almost always linked to hopes of the afore-mentioned economic impact. In Oklahoma City, community leaders suggest that such impact has already occurred, even though \$285 million worth of taxpayer-funded, new and renovated facilities are still in the design or pre-construction phase, and no professional teams have, as yet, been signed on as tenants. They point to Southwest Airlines' recent decision to locate a 1000-job reservation center there based, in part, on the atmosphere it felt would be provided by a more vibrant downtown. Taxpayer-financed incentive packages offered to lure major corporations three times in the 1980s and early 1990s were all unsuccessful, including a United Airlines maintenance facility which went, instead, to Indianapolis, a city which had just based its own revitalization on building arenas and acquiring a “major league” image.<sup>29</sup>

This “if you build it ...” strategy is not confined to major league professional sports or to the United States. In June 1996, the Ventura (CA) city council approved preliminary plans to build a \$19 million baseball stadium in order to attract a minor league franchise.<sup>30</sup> In the mid to late 1980s, several towns in Florida began building elaborate spring training baseball complexes meant to lure teams and, often, revive downtown economies and images.<sup>31</sup> Design and construction of over \$1 billion worth of



new sports facilities were begun in Berlin with the hope of attracting the 2000 Olympic Games,<sup>32</sup> though the venture failed when the Games were awarded to Sydney, Australia.

The line from the movie *Field of Dreams* applies to a long and growing list of hopeful communities that decided the best way to get a team was to build a facility, then convince a league expansion committee or disgruntled-in-their-current-home owner to relocate.

### **Indianapolis, Indiana**

Indianapolis is perhaps the most famous example of luring a sports team by offering a new facility and favorable terms to an owner unhappy in his current situation. The Baltimore Colts, after years of attempting to gain public financial support for a new stadium, left (literally) in the middle of the night of March 12, 1984 for the nearly-completed \$80 million Hoosier Dome in downtown Indianapolis.<sup>33</sup> The dome, which was financed by corporate endowments and a one percent tax on food and beverages,<sup>34</sup> was only a piece of an enormous revitalization plan that saw 20 major construction projects and over \$2 billion pumped into the downtown area over a 25-year period.<sup>35</sup> By constructing an accompanying convention center and increasing hotel space (every current downtown room is either new or restored since 1984), the dome was planned to be economically viable even if the Colts had not come.<sup>36</sup> Their relocation, however, was the foundation of a plan to transform Indianapolis into a midwestern mecca for pro and amateur sports. The city convinced eight amateur athletic associations and governing boards to relocate their headquarters there<sup>37</sup> and hosted the US National Sports Festival in 1982 and the 1987 Pan American Games.<sup>35</sup> Years after the fact, some experts have downplayed the positive impact of the dome, NFL team, and entire plan,<sup>37</sup> but the effort may have been worth it just in terms of public relations. Witness the following headlines:

*Indianapolis: A Born-Again Hoosier Diamond in the Rust* (Smithsonian, June 1987)  
*Indianapolis' Downtown Resurgence: 12-year Effort at Revitalization is Huge Success*



*for Rust Belt City* (Los Angeles Times, November 23, 1986)  
*A Rust-Belt Relic's New Shine* (Newsweek, September 9, 1985)  
*"India-no-place" No More; The Subject of a Joke Gains Major League Attention*  
(Time, June 11, 1984)

Of importance today, the terms of the agreement between team and city, which appeared generous in 1984, are now outdated as far as the Colts are concerned. Along with the new dome, the city built the team a \$7.5 million indoor practice facility and guaranteed that ticket and broadcast revenues would be at least \$7 million annually for 10 years.<sup>38</sup> Now, the guarantees have expired, and the agreement allows Indianapolis to keep most of the revenue gathered by the stadium, now called the RCA Dome, including the \$10 million "naming rights" fee paid by the RCA company. In keeping with the town's original economy-via-sports plan, this money is being used to help build a new stadium for the town's minor league baseball affiliate and possibly to renovate the NBA Pacers' arena.<sup>39</sup> This means nothing to the Colts, however, who, though not threatening to leave, want to re-negotiate the terms of its lease in order to keep more of the stadium revenues.<sup>38</sup>

### **Tampa Bay, Florida**

If Indianapolis is the most famous, then Tampa Bay must be the longest-running and most tumultuous example of the "if you build it ..." strategy. The long odyssey of the Tampa / St. Petersburg effort to obtain a major league baseball team appears to be ending successfully, as the expansion Tampa Bay Devil Rays will begin play in the St. Petersburg ThunderDome in 1998, but even the most ardent supporters of this effort probably wonder if the end will justify the financial and political means.

"You've got to stick a shovel in the ground before you even approach baseball" was the quote of the first executive director of the Pinellas Sports Authority (PSA), established in 1977 for the express purpose of acquiring a major league team.<sup>40</sup> Years of discussing funding options and courting baseball owners passed until 1983, when the PSA



and county commission approved plans to build a \$60 million, multi-purpose, air conditioned facility by selling bonds backed by a tourist development tax. After months of debate and public meetings, the St. Petersburg City Council voted in 1986 to build the stadium, and ground was broken in November of that year with a revised estimated cost of \$85 million. By the time the stadium, originally named the Florida Suncoast Dome, opened in March of 1990, the taxpayer cost alone had more than doubled to \$138 million.<sup>40</sup>

In 1986, talks began with the Chicago White Sox, who were unhappy with their facility, while across the bay in Tampa, a separate group led competitive efforts to bring baseball to that city. The White Sox appeared headed to Florida in the spring of 1988, as a preliminary lease was drafted and funding for a new Chicago stadium fell through in the Illinois legislature. On the night of the last day of that body's legislative session, however, with a live television audience in Florida watching, funding for a new White Sox park was passed, beginning a series of close calls for hopeful Tampa-area baseball fans.<sup>40</sup> The private Tampa groups nearly purchased the Minnesota Twins (1984), Oakland A's (1985), and Texas Rangers (1988), only to be thwarted by last-minute deals or concessions by the teams' current cities. Though Pinellas and Hillsborough county officials finally agreed in 1989 that a joint Tampa / St. Petersburg effort was more likely to yield success, hopes were again dashed in 1991 when baseball awarded expansion teams to Denver and Miami, citing a poor financial structure of the Tampa Bay investment group. Other buys of the Seattle Mariners and San Francisco Giants fell through in 1992. Finally, after two years of discussions and proposals, baseball awarded new teams to Tampa Bay and Phoenix in March of 1995.

So much time passed between conception and obtaining a team, however, the stadium is virtually obsolete in comparison with the new standards of what an arena



should feature, and will require close to \$50 million worth of improvements to ready it for baseball. What began as a \$60 million “investment” will open for baseball with a price tag of over \$200 million.<sup>41</sup>

City of St. Petersburg	tourist development taxes	\$116 million
Pinellas County	hotel/motel “bed” taxes	\$56 million
State of Florida	grants and rebates	\$28 million
Team ownership	private investment	\$3 million

**St. Louis, Missouri and Baltimore, Maryland**

These two cities held fast to the belief that the public should not be involved with funding a private enterprise’s facility, subsequently waved good-bye to their NFL teams (Cardinals and Colts), then years later spent substantially more to build new stadiums for new teams than asked for by the original teams.

After refusing to fund a new stadium for the NFL Cardinals and watching them leave for Arizona in 1988, St. Louis decided to build a 100 percent taxpayer-subsidized, \$280 million convention center and domed stadium complex in the hopes of re-acquiring a football team. Opened in the fall of 1995, and again billed as part of a downtown economic revitalization, the dome and convention center project followed a new \$135 million hockey arena and a light rail system that connects the dome, hockey arena, and Busch Stadium baseball facility to the airport.<sup>42</sup>

The football team enticement effort was successful, as the Los Angeles Rams left a poorly-attended and low-revenue arena in 1995 for St. Louis, which, unlike Indianapolis, provided much more than a stadium. As one St. Louis negotiator said during discussions with the Rams, “The Rams are asking for the moon, and we’re going to give them the moon. It’s only a question of how big the moon is.”<sup>42</sup> The moon turned



out to be huge. In what was called by another NFL owner “the mother of all stadium deals,”<sup>43</sup> the Rams got 100 percent of the revenues from 120 high-priced “luxury suites” and 6,200 “club seats”; a guarantee that 85 percent of the suites and club seats would be sold; and 100 percent of concessions sales.<sup>44</sup> The city also agreed to let the team keep the majority of the other stadium and convention center revenues, including 75 percent of all advertising and “naming rights” monies,<sup>39</sup> and paid \$66 million to cover the team’s debts and expenses.<sup>45</sup> Cities like Houston, which appears on the verge of losing its football, and possibly its baseball, team, might heed the advice of a principal in the effort to lure an NFL team back to St. Louis: “It would have been cheaper to keep the team we had than to go after another. That’s clear. We hope that’s a lesson from which other people can benefit.”<sup>46</sup>

Baltimore, Maryland, could have used that advice to save millions of its own dollars, when in 1984, it saw the Colts leave for Indianapolis after months of haggling over a new or renovated stadium. As foreshadowed that year by *Baltimore Evening Sun* columnist Bill Tanton:

You know what will happen if we lose the Colts? First there will be lawsuits filed and all kinds of frantic action in the legislature, none of which will bring back the Colts. Then there will be a drive to get 50,000 season ticket pledges for a new franchise. Finally, there will be a campaign to build a new \$100 million stadium. That would not be ready five years, maybe ten.<sup>47</sup>

Most of that prophecy came to pass, as the city even tried to keep the Colts in town by claiming eminent domain over the team.<sup>48</sup> Though it did not have a new stadium with which to lure a team years later, Baltimore nevertheless fits into the “if you build it ...” list, since it made promises above even what St. Louis offered to regain an NFL team. The former Cleveland Browns, soon to be the Baltimore Ravens, left town to play in a 100 percent taxpayer-funded, \$175 million stadium, replete with club seats and 108 luxury suites. The team will pay no property taxes nor rent for the 30-year term of the



lease, and will keep all revenues from regular and premium seating, concessions, parking, and advertising - for **all** events held in the stadium.<sup>49</sup> Also, taxpayers funded the physical move from Cleveland and upgrades to the temporary stadium in Baltimore (while the new one is being built). Local leaders, again, project a windfall of jobs and economic impact, but many wonder how any impact can balance the price paid when the team will only play 10 games a year in the new facility. Stadium proponents argue that, since the deal is funded by proceeds from a special state lottery, the average taxpayer will not be affected, though lottery proceeds, which were also used to fund the new Orioles baseball park, have been less than expected so far.<sup>49</sup> The Orioles, incidentally, though content in their new stadium, already want new lease terms based on the generous conditions of the Ravens' agreement.<sup>50</sup>

Ironically, Cleveland is about to join St. Louis and Baltimore as another city that will pay as much or more for a new stadium (for a new team) than it was willing to for an existing team. City and state funds will pay for most of the estimated \$220 million cost to build a new stadium for an, as yet, unspecified football team.<sup>51</sup>

### **Other Efforts**

The “if you build it ...” strategy appears to be a growing trend, as a host of other cities have completed, are planning, or have proposed new arenas meant to attract a professional sports franchise. A summary of these cities is found in Table 1 on the following page.



**TABLE 1**  
**Summary of "If You Build It ..." Cities**

<b>LOCATION</b>	<b>WHAT THEY WANT</b>	<b>WHAT THEY'VE GOT</b>
Nashville, TN	(1) NFL team Houston Oilers ?  (2) NBA or NHL team Hartford Whalers ?	\$80 million bond issue for \$290 million stadium approved by voters in May 1996 -- bonds backed by "bed" tax & water dept surplus <sup>52</sup> \$71 million raised from the sale of seat licenses <sup>45</sup> team guaranteed \$35 million stadium revs/year <sup>53</sup> \$120 million arena opening fall 1996 -- funded by property tax increase <sup>54</sup>
New Orleans, LA	NBA team minor league hockey	funding for \$84 million arena approved in June -- 4-cent "bed" tax already exists <sup>55</sup> sitework started; project out for bids this summer
Sacramento, CA	MLB team	city council approved in June 1996 mayor's plan to build \$200 million stadium downtown site favored for economic impact; funding uncertain <sup>5</sup>
Memphis, TN	NBA team	\$85 million Pyramid arena opened in 1991 - operates with \$500,000+ loss per year <sup>57</sup> downtown revitalization never materialized
Oklahoma City, OK	NBA or NHL team(s)	20,000-seat multi-purpose arena in design phase voters in 1993 accepted 5-year, 1-cent sales tax increase to fund \$285 million package of sports & entertainment facilities -- largest U.S. public referendum in history <sup>11</sup>
Northern Virginia / Washington, D.C.	MLB team Houston Astros ? San Diego Padres ?	private ownership group has pledged \$100 million towards \$300 million stadium; no site determined regional state sales tax rejected by VA legislature in June 1996 -- new lottery being discussed <sup>58</sup>
Anaheim, CA	(1) NFL team  (2) NBA team	city unveiled plans in January 1996 for a sports and entertainment complex -- no funding on line <sup>59</sup> arena, which houses NHL's Ducks, expected to lose \$20 million in first 4 years <sup>60</sup> hard to attract team since Disney (Ducks' owner) and city get 70% of all arena revenues
Gary, IN	Chicago Bears	business leaders attempting to gain support for \$500 million complex to include new football stadium income or food & beverage tax discussed <sup>61</sup>
Columbus, OH	Canadian Football League team	\$280 million arena and stadium projects proposed by city and county officials in December 1995 funding to be state grants/loans, sales tax increases, and private backing -- vote in Nov. 96 <sup>62</sup>
Manchester, NH	minor league hockey	mayor and city council in December 1995 adopted plan for \$43 million arena -- 70/30 public / private funding <sup>63</sup>
Raleigh, NC	minor league hockey or NHL team	considering \$30 million upgrade to proposed arena to add suites and premium seats in order to land pro hockey; taxable bonds or private loans <sup>64</sup>
Osceola County, FL	NFL's Tampa Bay Buccaneers	city and county officials discussing funding for new stadium in case Bucs leave Tampa <sup>65</sup>



## CHAPTER 4 THE IMPORTANCE OF SPORTS FACILITIES

Sports franchises may be valuable to communities, but the arenas they play in are priceless to the teams. The Phoenix Suns, despite playing in the nation's 17th largest media market,<sup>50</sup> rank second in the NBA in operating income<sup>66</sup> thanks to the revenue they draw from their America West Arena. The Detroit Tigers, who are attempting to secure funding and a site for a new ballpark, estimate an immediate \$40 million gain in annual revenue if they get the new stadium.<sup>1</sup> The facilities teams play in, not television fees or the average fan's support, are the vehicles communities and especially team owners wish to ride to greater economic prosperity. In 1991, *Financial World* magazine began devoting most of an entire issue each year to the financial aspects of professional sports franchises. As they summarized that year:

With big television contracts a thing of the past and with wage demands from players continuing to escalate, the owners have desperately searched for other sources of income. They think they have found them right under their noses in the form of luxury suites, premium seating, advertising, and concessions. So they are building - and in some cases, rebuilding - to create structures that will maximize cash flow from these sources.<sup>67</sup>

As evidenced by the ongoing rash of stadium renovation and construction projects, teams have determined that the facility itself represents the key to garnering a revenue stream large enough to enhance the team's worth, finance the kind of payroll necessary to field a competitive team, maximize the pool of monies that are not shared with other franchises, and defray the cost of obtaining the team in the first place.

### **Building Boom**

Between 1964 and 1984, over \$6 billion was spent to build or renovate baseball and football stadiums in the U.S.<sup>2</sup> Over \$1 billion was spent or committed just between 1992 and 1995 for all professional sports.<sup>21</sup> Marquette University's National Sports Law Institute estimates that more than half of this country's professional franchises will have



new or renovated facilities by the end of this decade, meaning the total for all four major sports in the 1990s could reach \$14 billion.<sup>46, 14</sup>

The facility boom has been especially prevalent in hockey and basketball, where teams often share the same arena, helping to ensure a steady flow of arena events (and revenues).<sup>68</sup> In the NHL, new arenas opened in Anaheim and San Jose in 1993/94; in Chicago and St. Louis in 1994/95; and in Montreal, Vancouver, Ottawa, and Boston in 1995/96. Others will open for the 1996/97 season in Tampa, Philadelphia, and Buffalo. Ground is being broken or funding obtained for facilities in Washington, D.C. and Miami. Denver and Los Angeles are working on plans for a new arena.<sup>69</sup> Multi-million renovations have upgraded many of the other NHL arenas in the last three years, including those in Pittsburgh, Calgary, and Edmonton. In the NBA, 17 of the 29 teams play in arenas built or renovated since 1988, and five more will do so in the next two to three years.

The boom has not been quite as rampant in the higher cost (construction-wise) sports of baseball and football, though five single-purpose baseball parks and three football stadiums have opened this decade. A flurry of construction took place from the mid-1960s through the early 1970s, as dual-purpose baseball / football stadiums were erected in New York, San Francisco, Houston, Atlanta, St. Louis, San Diego, Pittsburgh, Philadelphia, Cincinnati, and Anaheim.<sup>70</sup> Now, each of these facilities either (1) retains only one of its two former occupants; (2) has one or both tenants about to leave or looking for a new facility or new lease; or (3) both. Given this, the “stadium envy” and revenue crunch many owners are feeling, and a trend toward single-purpose parks, baseball and football figure to follow closely on the heels of their NHL and NBA brethren with construction and renovation runs of their own.



The current boom is not the result of structurally inadequate facilities or a lack of seating capacity, as were the cases in previous booms. Rather, it stems from the teams' need to maximize their intake of revenue.<sup>14</sup> The San Antonio Spurs, though playing in a brand new facility (the AlamoDome opened in 1993) and among the NBA's leaders in attendance, cite the need for more luxury suite revenues and "a more intimate atmosphere" as reasons they are investigating a new, privately-financed arena.<sup>71</sup> Atlanta's Fulton County Stadium, which opened in 1966 and is still viable, was built to house both the Braves and Falcons, but will be vacant before the mortgage is even paid off when the Braves move into the new Olympic Stadium in 1997.<sup>72</sup> The same is true in south Florida, where the NBA Miami Heat and NHL Florida Panthers are leaving the eight year old Miami Arena in favor of new arenas that promise more revenue-gathering capability and better leases. Dade County, while continuing to pay off \$38 million in debt for Miami Arena, recently approved a new \$165 million arena for the Heat,<sup>73</sup> while the Panthers are getting a new facility a few miles north in Broward County after claiming they lose at least \$1.2 million per month at Miami Arena due to a poor lease.<sup>74</sup> The eight-year old Charlotte Coliseum, with \$36 million of debt still on the note, is no longer adequate for the NBA Hornets, who are exploring siting and funding options for a new facility.<sup>75</sup>

Today's wave of arena construction and renovation projects is not confined to the major league cities. A 1990 revision of facility standards, set forth by the National Association of Professional Baseball Leagues, made renovation or new construction a requirement for almost all of this country's 200 minor league ballparks -- the construction of 10 new parks began in 1995 alone.<sup>44</sup> Included in that group was the AAA team in Indianapolis, which was told to renovate their deteriorated stadium, build a new one, or risk losing the franchise; a new \$18 million park will open in July 1996.<sup>76</sup> Fresno, California, is considering \$37 million in public and private financing for a new stadium



and relocation fees to obtain a AAA minor league baseball team.<sup>77</sup> The boom is even prevalent in the smaller Florida and Arizona towns where baseball's spring training takes place. Beginning in 1985, cities like Plant City, Port St. Lucie, Homestead, and Fort Myers, Florida, spent from \$5 million to \$22 million to erect training complexes for prospective teams.<sup>31</sup> The city of Tuscon, Arizona, is discussing a \$44 million package of construction and renovations for baseball facilities to house three teams' spring training.<sup>78</sup>

### **Team Worth**

The value of a pro sports team is directly proportional to its ability to generate and keep stadium revenues. Throughout the 1970s and 1980s, the worth of professional franchises, excepting hockey, was tied to the rapid growth of television revenues, with NFL, NBA, and MLB teams gaining an annual compounded increase of 20 to 25 percent in value over that period.<sup>9</sup> While still important, TV monies have now leveled off (except in hockey) and are shared amongst all the league's teams, forcing teams to find alternative means of remaining profitable -- namely, the facilities they play in.

Recent sales, or near sales, of franchises illustrate the fact that a team's worth is closely aligned with the present or future revenue-gathering capability of its stadium. The Baltimore Orioles were sold in 1989 for \$70 million; had a new, high revenue-producing stadium with a great lease built for them by taxpayers in 1992; then were sold again in 1993 - this time for \$173 million.<sup>21</sup> The Utah Jazz NBA franchise, valued at \$45 million in 1991 and playing in a low-revenue facility with a poor lease (from their viewpoint), were offered as much as \$100 million to relocate in the late 1980s.<sup>9</sup> They instead financed a new, \$86 million arena that generates close to \$9 million in revenues, raising their worth to \$142 million in four years.<sup>66</sup> The new owner of the Tampa Bay Buccaneers paid more than \$190 million to buy, arguably, the worst team in all of professional sports. That selling price was the most ever paid for a franchise and represented three and a half



times the team's average yearly revenue intake.<sup>79</sup> Given that the team's existing stadium lease expires in 2000, however, their potential to dramatically increase revenues (by getting a new facility in Tampa or elsewhere) made the purchase price seem reasonable. Cable television giant Comcast recently purchased a controlling interest in Philadelphia's NHL Flyers and NBA 76ers, as well as their present and future arenas, for \$430 million.<sup>66</sup> That figure is **six times** the teams' combined average revenues, but, again, is reflective of the expected jump in revenues once the new Spectrum II opens in the fall of 1996, after which the teams' values are projected to instantly increase as much as 20 percent.<sup>80</sup>

Except for baseball, each sport's most valuable team is the one with the highest stadium revenues.<sup>46</sup> Even in baseball (with a few exceptions like the Yankees and Red Sox, both of whom reap extraordinary local television revenues), the majority of the high-value teams are revenue leaders, too.<sup>9</sup> *Financial World* bases its annual tabulation of teams' worth largely on arena revenues and the amount of control the teams have over their facility (ownership of, lease agreement, etc.). Table 2, compiled from four issues of that publication, shows the immediate impact that new, high revenue-producing stadiums can have on the value of a professional franchise. In nearly every case, the new venue produced substantial gains in revenues, which, in turn, inflated the value of the team by as much as two or three hundred percent.

Sports' expansion teams perhaps best exemplify how the worth and profitability of a franchise are tied to its ability to generate and keep stadium revenues, especially when a new facility is included. The Jacksonville Jaguars, in their first year of NFL play in 1995, made as much money from the sale of 10,000 "club seats" in their (essentially) new facility as the Pittsburgh Steelers did by selling out all 59,600 seats in their stadium.<sup>46</sup> The expansion Arizona Diamondbacks, who begin MLB play in 1998 in a new, \$284 million, retractable-dome stadium, project first-year net revenues that would immediately



make them the third most profitable team in baseball.<sup>81</sup> *Financial World* estimates that the Carolina Panthers will become the NFL's fifth most valuable franchise after the first year of play in their new stadium.<sup>68</sup>



**TABLE 2**  
**New Venue / Revenue / Worth Relationship**  
**(all figures in millions of dollars)**

LEAGUE	TEAM	FACILITY	YEAR OPENED	1990		1992		1994		1995	
				TEAM VALUE	STAD REVS						
NBA	Chicago Bulls	United Center	1994	100	0.7	102	2.3	166	2.5	178	8.3
	Cleveland Cavaliers	Gund Arena	1994	61	3.1	81	6.0	133	8.9	151	13.8
	Phoenix Suns	America West Arena	1992	53	0.0	71	0.8	156	7.0	191	11.4
	Utah Jazz	Delta Center	1991	45	0.4	72	7.4	127	8.6	142	8.8
MLB	Baltimore Orioles	Oriole Park at C.Y.	1992	200	5.1	130	21.5	164	19.7	168	18.8
	Chicago White Sox	Comiskey Park	1991	125	6.4	123	18.0	152	22.4	144	17.3
	Cleveland Indians	Jacobs Field	1994	75	2.6	81	1.4	103	16.1	125	11.0
	Texas Rangers	Ballpark in Arlington	1994	101	6.6	106	15.3	157	13.2	138	20.7
NFL	Atlanta Falcons	Georgia Dome	1992	113	3.2	125	0.0	156	0.0	167	6.2
	St. Louis Rams	TransWorld Dome	1995	135	5.4	128	2.2	153	4.3	193	12.9
NHL	Chicago Blackhawks	United Center	1994	45	0.3	67	0.0	102	6.8	122	22.4

SOURCE: 7/9/91, 5/25/93, 5/9/95, and 5/20/96 issues of *Financial World*

**NOTES:**

TEAM VALUE = franchise's worth based on last 3 years' average total revenues, venue, and lease  
 STAD REVS = stadium revenues (includes suites & other premium seating, concessions, parking, and venue advertising)

1994 baseball figures are projected as if that strike-shortened season had been completed

NFL Rams located in Anaheim, CA through the 1994 season

Years for NBA and NHL teams represent the 1989/90, 1991/92, 1993/94, and 1994/95 seasons



## Salaries and Revenue Sharing

Maximizing stadium revenues helps field a more competitive team,<sup>82</sup> especially in the NFL and NBA, where such revenues are not part of the leagues' revenue sharing plan or salary cap provision (NFL payrolls, for example, cannot exceed 64 percent of a team's combined TV fees, gate receipts, and merchandise sales).<sup>83</sup>

Teams have just recently discovered the link between high stadium revenues, profits, payroll, and competitiveness. In the 1980s, for example, NFL teams had near-equivalent revenues since a greater percentage of those revenues were shared -- lower payrolls often meant higher profits. During that decade, the league's least successful (on the field) franchise, the Tampa Bay Buccaneers, reaped a cumulative operating profit of \$47 million, while the team with the best overall record, the San Francisco 49ers, lost \$45 million, mostly due to the high payrolls that begat its success.<sup>46</sup> The Dallas Cowboys have mastered the modern approach of doing both by building more luxury suites and cutting their own advertising deals to increase revenues, then using the proceeds to sign high-priced talent. With more money available that does not count toward salaries, teams like the Cowboys are better equipped to pay the players needed to contend for championships, and since total revenues are so high, they have more money left over for "operating income." For example, though they spend nearly \$20 million more on players,<sup>66</sup> the Cowboys have only 58 percent of their revenues allotted for salaries, compared with the Cincinnati Bengals' 75 percent.<sup>38</sup> The key, of course, is playing in a stadium that makes money. The president of baseball's San Francisco Giants, whose repeated attempts to get public support for a new stadium were based on the need for more revenues, linked the team's success to getting a new park: "It's no coincidence that the Cleveland Indians won the American League pennant their second year in a new stadium, or that Toronto won two World Series after moving to a new stadium."<sup>50</sup>



Since television monies account for most of the shared revenues, and because only 25 percent of baseball's total revenues come from TV (versus 64 percent in football), MLB teams share only 36 percent of their proceeds with each other (versus 77 percent in the NFL).<sup>83</sup> This makes stadium revenue an even more crucial element to baseball teams, and is proof that, unless all stadium revenues become shared, the gap between the more and less valuable teams in that sport could widen.

### **The Cost of Ownership**

Along with facility and player costs, the cost of acquiring a professional sports team, new or existing, has substantially increased in the last 20 years, further explaining the importance of drawing large stadium revenues.

Separate from the costs of building a stadium and acquiring players, prospective owners of expansion teams pay for the right to join a league. The cost of doing so now often exceeds what the team could hope to make during its first few years of existence. The Seattle Seahawks and Tampa Bay Buccaneers paid the NFL a \$16 million "franchise fee" to join that league in 1976, but the Jacksonville and Carolina entries paid \$140 million each to join in 1995.<sup>84</sup> The four expansion hockey teams that joined the NHL in the 1990s each paid \$50 million to do so.<sup>9</sup> The Dallas Mavericks paid \$8 million to join the NBA in 1980; the Miami and Charlotte expansion teams each paid \$32.5 million eight years later.<sup>85</sup> While the Miami and Denver baseball teams paid \$95 million to join MLB in 1994,<sup>9</sup> the expansion Tampa Bay Devil Rays and Arizona Diamondbacks will pay \$130 million to join in 1998.<sup>23</sup> That figure, in fact, may reach \$150 million when interest payments and the withholding of television revenues are accounted for.<sup>41</sup>

Over the past 15 years, buying an existing team quickly became a larger proposition, too. An NBA team could be bought for \$12.5 million in 1981 (as were the Los Angeles Clippers), while in 1989, the price was \$70 million (for the Portland Trail



Blazers).<sup>9</sup> The Detroit Red Wings sold for \$8 million in 1982; the Hartford Whalers sold two years later for \$31 million.<sup>9</sup> The principal owner of the Seahawks paid \$8.2 million in 1974 for a controlling interest, then sold the team in 1989 for \$97 million.<sup>9</sup> The sale price of the New York Mets increased between 1980 and 1986 from \$20 million to \$85 million.<sup>86</sup>

Today's market fetches even more. The New England Patriots were bought in late 1993 for \$170 million.<sup>87</sup> The owner of the Tampa Bay Buccaneers paid a record \$192 million to buy that franchise in 1995.<sup>88</sup> Again, though, prospective owners do not mind such prices when the revenue-generating ability of the team in question has not yet reached its potential.



## CHAPTER 5 STADIUM REVENUE GENERATION

Stadium revenues are defined as the proceeds from skyboxes, concessions, parking, and stadium advertising, and do not include gate receipts (the average fan's ticket) or television broadcast fees. For the reasons outlined previously, these revenues have quickly become a larger portion of teams' total revenues.

		Average Total Revenues (\$ millions)	Average Stadium Revenues (\$ millions)	Percentage of Total Revenues
NFL	1992	53.3	2.1	3.9%
	1994	61.8	5.4	8.7%
	1995	68.6	6.2	9.0%
MLB	1992	60.9	8.8	14.4%
	*1994	60.2	10.8	17.9%
	*1995	50.4	10.2	20.2%
NBA	1991/92	37.0	4.4	11.9%
	1993/94	46.6	5.3	11.4%
	1994/95	52.0	6.0	11.5%
NHL	1991/92	26.1	2.3	8.8%
	1993/94	31.4	5.1	16.2%
	*1994/95	28.0	5.3	18.9%

SOURCE: 5/25/93, 5/9/95, and 5/20/96 issues of *Financial World* magazine  
\* extrapolated data that assumes completion of strike-shortened season

These stadium revenues are generated by renting high-priced luxury suites; charging seat-holders for the "right" to purchase tickets; using arena space or the facility itself as an advertising medium; outfitting the stadium with state-of-the-art amenities; and controlling or owning the venue so that most revenues stay with the team.

### Luxury Suites

The common factor in almost every team move, threat to move, or demand for a new facility is a lack of stadium revenue. The most lucrative and sought-after generators



of that revenue are high-priced luxury suites. The main impetus for the Raiders' decision to leave the revenue-poor Los Angeles Coliseum in 1995 and return to Oakland, for example, was that city's promise to refurbish its stadium to provide 175 luxury suites.<sup>1</sup>

Luxury suites, or skyboxes, are usually leased long-term (3 to 10 years) by corporations or other businesses and used to entertain and woo clients or reward employees.<sup>1</sup> Attendance by the average fan, while always a good and desirable thing, has taken a back seat in fiscal importance to these suites, as explained by the Lehman Brothers executive who arranged financing for Chicago's new United Center arena: "The big advantage of having a good skybox market is that attendance can really drop off and it won't hurt your revenue stream because you have people on an annual lease."<sup>67</sup> Maximizing the number of regular seats, the preferred design criteria of old, is no longer a must. A proposed new baseball stadium in Pittsburgh will seat only 35,000 fans (making it the MLB's second smallest park), but should reap high revenues with an abundance of suites.<sup>89</sup> Luxury suite proceeds are especially important in the NFL, where more than 60 percent of the gate receipts from the "normal" fan's tickets go toward salaries and other teams under the league's revenue-sharing plan.<sup>38</sup>

The astronomical sums of money generated by these suites account for the demand for new facilities and explain why team owners do not mind "overpaying" for teams that, operating in suite-poor facilities, have not yet reached their revenue-producing potential. The Ballpark at Arlington features 120 suites that lease for \$50,000 to \$200,000 a year.<sup>90</sup> The Seattle SuperSonics arena, renovated in 1995 for \$94 million, has 58 suites that rent for \$55,000 to \$135,000 per year.<sup>91</sup> Boston's Celtics and Bruins share the new Fleet Center, which features 104 suites renting for \$131,000 to \$211,000 annually.<sup>1</sup> The Tampa Bay Lightning's new arena will lease 72 suites for between \$55,000 and \$100,000 per season.<sup>1</sup> Carolinas Stadium, new home to the NFL's Panthers,



has 135 luxury boxes that rent for an average of \$71,000 per season,<sup>68</sup> even more impressive when considering that the team plays only two pre-season and eight regular-season games there (major league baseball teams have 81 regular-season home games; basketball - 41; hockey - 40). The new Spectrum II arena in Philadelphia will feature 126 suites, versus 16 in the original Spectrum,<sup>80</sup> explaining why the teams' new owners paid what they did to acquire the teams and arena. The Redskins' new stadium will feature 280 suites.<sup>38</sup>

Luxury suites have become an equalizing factor, for now, for smaller markets, both in keeping an existing team satisfied and in enticing a new or relocated franchise. By erecting new stadiums in 1992 and 1994 with scores of luxury suites, the Baltimore Orioles and Texas Rangers earn more stadium revenue than any other major league baseball teams, including those with greater attendance and in larger markets such as New York, Chicago, Boston, and San Francisco.<sup>66</sup> The Houston Oilers, though in the nation's eleventh most populated metropolitan area and fourth largest television market, only earned \$4.4 million in stadium revenues during 1995.<sup>66</sup> Thanks to an abundance of luxury suites in the planned stadium in Nashville, they have been guaranteed \$35 million in annual revenues for 10 years if they relocate to that city, one with a fraction of the population, corporate base, and television market.<sup>38</sup>

Luxury suites may not, however, be a permanent edge for smaller markets. The New York Yankees, whose combination of good stadium revenues and incredible television revenues makes them one of sports' most valuable teams, nevertheless want a new facility when their lease expires in 2002,<sup>93</sup> the cost of which is expected to top \$1 billion.<sup>3</sup> A new park with plenty of skyboxes could increase their annual stadium revenues to as much as \$200 million, compared with 1995's \$94 million. The equalizing



effect that smaller-market teams covet, therefore, may one day evaporate when large-market teams like the Yankees build new facilities of their own.

The revenues-through-suites theory could ultimately be undermined by supply and demand, especially in cities that lack the corporate base to support a number of teams and accompanying luxury boxes. The Georgia Dome in Atlanta, for example, was originally proposed to be funded privately, but had to be “saved” by the state legislature when advanced skybox sales were not enough to secure financing.<sup>94</sup> Cleveland’s Browns left town, in part, because the luxury suite market was tapped out with new arenas for the MLB Indians and NBA Cavaliers.<sup>95</sup> Seattle is debating the construction of a new baseball park for the Mariners and renovations to the existing Kingdome for the NFL Seahawks. These projects, combined, would double the number of area suites at a time when the NBA Sonics’ newly refurbished Key Arena only leased 50 of its 58 skyboxes.<sup>14</sup> Nashville’s football stadium and guarantee to the Oilers have already impaired efforts to find corporate backers of suites in another new facility, the \$120 million, teamless arena nearing completion.<sup>54</sup> With the addition of the Avalanche hockey team in 1995, Denver became one of only 10 U.S. metropolitan areas to host teams in all four major sports. Just based on population alone (21st largest in the country, according to the 1990 census), that city’s capability to corporately support these teams over a long period of time seems questionable. The same could be said for Phoenix (19th largest metropolitan area), which will also house all four sports when the baseball Diamondbacks begin play in 1998. Financial analysts in Minneapolis have similar worries regarding a new baseball park for the Twins, one that would add another 60 to 80 suites to that area’s total.<sup>96</sup>

### **Seat Licenses**

The hottest trend in user-pay revenue production is the use of “PSLs” - defined by different communities as either Permanent, Premium, or Personal Seat Licenses. PSLs do



not include the cost of the actual tickets, but give fans the “right” to buy season tickets over a period of usually one to ten years.

- The new Carolinas Stadium, home of the NFL Panthers, was funded in large measure by the 65,000 PSLs fans bought for \$700 to \$3,000 each.<sup>97</sup>
- The NBA’s Golden State Warriors are partially financing a \$90 million arena renovation project by selling the rights to 7,750 lower-level seats at an average cost of \$2,500 each.<sup>98</sup>
- \$75 million in PSLs were sold in St. Louis to help fund a practice facility for, and pay the debt and relocation costs of, the Rams football franchise.<sup>46</sup>
- The Baltimore Ravens, formerly the Cleveland Browns, sold 53,000 of 57,000 \$100 PSLs as of July 1996 to help fund their new stadium.<sup>99</sup>
- PSLs will be a chief source of funding for the new football stadium in Cleveland.<sup>100</sup>
- Nashville’s \$292 million football stadium will be funded, in part, by \$71.5 million worth of PSLs.<sup>101</sup>
- Fans of the NBA Toronto Raptors have purchased \$30 million worth of seat licenses for the team’s new arena, set to open in 1997.<sup>8</sup>

Seat licenses, though, may not be appropriate in towns that already have a team or in renovated, versus new, stadiums.<sup>102, 103</sup> In Cincinnati, where new stadiums for both the Reds and Bengals appear to be on line, the idea of using PSLs to help fund construction was mixed by a city report studying the matter: “While that approach might succeed in areas gaining new sports franchises, fans in existing major league cities such as Cincinnati might be less willing to pay a surcharge to retain stadium seats that they have held for years.”<sup>104</sup>



## Stadium Advertising and Corporate Sponsorship

Non-team professional sports, like golf and tennis, have relied for years on corporate sponsorship to fund the prize money for their tours.<sup>105</sup> The major team sports have begun to expand that philosophy by using corporate dollars, paid to advertise in the arena or re-name it, to increase their total pot of revenues or make facility improvements.

The Chicago White Sox gained an additional \$1 million in annual revenues when they began selling advertising space behind home plate in 1995, joining a growing list of MLB teams who do likewise.<sup>1</sup> The NHL's Dallas Stars recently began renting out rotating advertisement signs in the "dasher boards" that surround the team's ice rink.<sup>1</sup> More than 100 money-making advertising signs are plastered inside Joe Robbie Stadium.<sup>106</sup> The NFL Cowboys reached a \$40 million agreement with Pepsi to make it the "official cola of Texas Stadium," despite the fact the NFL has its own agreement with Coca-Cola.<sup>1</sup> They also draw revenue from "exclusive stadium tie-ins" with Nike, American Express, and other companies.<sup>46</sup>

"Naming rights" are the fastest-growing trend in the quest to maximize stadium revenues. Erie County, New York, was ahead of its time in 1973 when it sold the naming rights to the Buffalo Bills' stadium to the Rich Products Corporation for \$1.5 million over 25 years,<sup>43</sup> but that kind of money is laughable now. Also, the revenues for such rights usually go to the team today, no matter what monies funded the stadium. Whether the facility is new or existing, airlines, banks, breweries, and other companies are paying millions to attach their names to the popular sports establishment.

- Trans World Airlines sponsors the new domed football stadium in St. Louis for \$1.3 million a year.<sup>1</sup>
- Pacific Telesis agreed in April 1996 to pay \$50 million toward a new San Francisco Giants ballpark to be named Pacific Bell Park.<sup>66</sup>



- Miller Brewing Company will pay \$41 million to have their name on a new Milwaukee Brewers stadium.<sup>107</sup>
- Continental Airlines will pay \$26 million over 12 years as consideration for changing the name of the New Jersey Nets' and Devils' arena from the Brendan Byrne Arena to the Continental Airlines Arena.<sup>108</sup>
- The expansion Arizona Diamondbacks baseball team, set to begin play in 1998 in a new ballpark, will keep two-thirds of a 30-year, \$1 million per year stadium "naming rights" deal with Bank One.<sup>109</sup>
- Pepsi agreed to pay \$68 million for the exclusive concession rights and naming rights in the \$150 million hockey and basketball arena being planned in Denver.<sup>110, 108</sup>
- The 3Com computer company underwrote \$35 million worth of improvements to the former Candlestick Park in San Francisco in exchange for re-naming the facility 3Com Park.<sup>111</sup>
- Air Canada will pay \$15 million to name the Toronto Raptors' new arena, plus another \$1.5 million a year for 20 years for "promotional rights."<sup>8</sup>

*Financial World* magazine predicts that every pro stadium will be named after a corporation by the year 2000,<sup>66</sup> as teams rush to match the revenue leaders in their sports by increasing total income and financing new venues. Other examples of other corporately-named arenas include:<sup>112</sup>

United Center (Chicago Bulls and Blackhawks)  
 USAir Arena (Washington Bullets & Capitals)  
 [soon to be replaced by the new MCI Center]  
 Fleet Center (Boston Celtics & Bruins)  
 Target Center (Minnesota Timberwolves)  
 Key Arena (Seattle SuperSonics)  
 ARCO Arena (Sacramento Kings)  
 Busch Stadium (St. Louis Cardinals)  
 Delta Center (Utah Jazz)  
 America West Arena (Phoenix Suns and relocated NHL team)



Arrowhead Pond (Anaheim Ducks)  
Coors Field (Colorado Rockies)  
RCA Dome (Indianapolis Colts)  
Great Western Forum (Los Angeles Lakers & Kings)  
Canadian Airlines Saddledome (Calgary Flames)

### **Facility Amenities**

Augmenting the luxury suites, PSLs, and corporate tie-ins are a host of stadium extras that further elevate the cost of outfitting a modern-day sports facility. Stadiums and arenas today are expected to be much more than a simple venue for observing athletic contests, both to appease fans and to generate still more revenues.

In St. Petersburg, where an additional \$48 million is being spent to ready the ThunderDome for baseball, the list of improvements is meant to bring that facility up to the standard set by parks that have opened since the ThunderDome was finished in 1990. Cites the *St. Petersburg Times*: “A grass diamond and a hot dog stand no longer will do. Today’s stadiums ... are entertainment experiences with memorabilia museums, fancy restaurants, gift shops, and giant scoreboards.”<sup>41</sup> The Texas Rangers new facility, the Ballpark in Arlington, for example, includes a “Legends of the Game” museum, a “sports art” gallery, six gift shops, and a restaurant with full views of the field. The complex as a whole also includes a youth baseball park and an amphitheater, and parts of the stadium are open whether a game is being played or not.<sup>41</sup> The new, retractable-roof baseball stadium being built in Phoenix for the Arizona Diamondbacks expansion team will feature a 10,500 square foot, youth-oriented, interactive theme park; two sports bars and at least two restaurants; a “timeline” of baseball history circling the main concourse; a “Hall of Fame” showcasing the team’s history; a large video-playback screen in centerfield and 350 television sets scattered throughout the park; and a “Kids Corner” facility that will allow restless children to “try on uniforms, play on equipment, have their picture taken with cardboard figures of players, and buy concessions” while parents watch



the ongoing game via television sets.<sup>113</sup> The Carolina Panthers' new stadium features amenities for the fans, like double the number of concession stands found in most other stadiums, but also addressed the comfort of players by including a 45-yard-long dressing room and a 9,000 square foot weight room.<sup>97</sup> Chicago's United Center includes "Fandemonium," a 5,000 square foot novelty store with a 70-seat theater and a Bulls and Blackhawks "Hall of Fame."<sup>114</sup> The Dallas Cowboys are discussing the addition of a theme park and museum next to their stadium that would include "virtual reality exhibits allowing fans to simulate playing professional football themselves."<sup>90</sup> The San Francisco Giants' new park will include seats with a credit card "swiper" that allows fans to order deliverable snacks, seat-back TV screens, and plug-in audio jacks.<sup>14</sup>

The trend is almost as rampant in minor league baseball facilities, where an attempt is made to balance the lower level of play with the facility itself. Like their major league counterparts, these minor league franchises are maximizing revenues with luxury suites and premium seating, but are also manufacturing a "one-stop-shopping" entertainment vehicle with their new or refurbished stadiums. Lake Elsinore, California, recently completed a \$12 million baseball park funded by a mix of public and private monies. Providing a total entertainment package was the chief design goal, as explained by a member of the project's development group: "Most of the fans coming out to watch minor league baseball are really coming out to be entertained. They want to have fun, have a safe place to bring their family at an affordable price - the baseball is somewhat secondary."<sup>115</sup>

### **Control of Facility / Corporate Ownership**

The conditions under which a team uses their stadium are keys to both its worth and ability to keep more revenues. The Dallas Cowboys were sold for \$135 million in 1989,<sup>83</sup> but are now worth more than \$270 million,<sup>66</sup> thanks largely to the fact that their



stadium and practice facilities are team-owned and debt-free.<sup>83</sup> The Orioles began play in their new ballpark in 1992 under an agreement with the city of Baltimore generous enough that, when the team was auctioned off in 1993, the lease itself was cited as the team's biggest asset.<sup>21</sup>

Ideally, as far as the teams are concerned, a new, high-revenue producing facility, funded by taxpayers, also comes gift-wrapped with a lease that minimizes franchise risk and turns most of the money back over to the team, as with the Orioles. Such is also the case in St. Louis with the Rams; soon, in Baltimore (again) with the Ravens; and in Chicago, where the White Sox agreed to have their new park built in the same neighborhood as the old stadium once the city deducted \$60 million from their lease and promised that no rent would be due if attendance was less than 1.2 million in a season.<sup>12</sup> The Jacksonville Jaguars keep the revenues produced by all concessions, advertising, and luxury suites in their city-owned stadium.<sup>1</sup> The Miami Heat will keep 100 percent of the stadium revenues in its soon-to-be-built arena.<sup>116</sup>

Short of such best-case scenarios, teams still attempt to control their venue with agreements that allow them to keep a larger share of the revenues. The NHL's Edmonton Oilers, for example, recently improved their standing by signing a new, 40-year lease that allows them to keep revenues from all events, not just their games, held in the Edmonton Coliseum.<sup>79</sup> The Denver Broncos, who have played before sellout crowds for years, nevertheless retain relatively little of the earned revenues because of their lease. Though apparently not a threat to leave, they would like to take control of Mile High Stadium "so they can have a free hand to follow the Dallas example."<sup>105</sup> The company that owns the Denver Nuggets (NBA) and Colorado Avalanche (NHL) reached an agreement in 1994 with the city of Denver to build a \$150 million arena for the two teams that included deeding the new facility's title to the city. Now, however, the company wants to retain



the title “in order to finance the project and show the arena as an asset to lenders.”<sup>117</sup> The Detroit Lions have proposed assuming the remaining \$30 million in debt for their stadium, built in 1975, in return for being allowed to keep all of the stadium revenue, none of which they currently receive.<sup>118</sup> Other NFL teams, like the afore-mentioned Colts, plus those in Minneapolis, Boston, Denver, San Francisco, and Philadelphia are attempting to (at least) negotiate new leases that would allow them more control and, therefore, more revenues.<sup>38</sup> The dilemma for the cities they will negotiate with is the ever-rising standard being established by other teams and cities. The owner of the Buffalo Bills admitted as much when discussing his team’s lease, which expires after the 1997 season: “We want to see what’s going to transpire in the next two or three years on other stadium situations before we enter into any new lease.”<sup>119</sup>

While baseball and football teams now want single-purpose stadiums, basketball and hockey teams seem comfortable sharing venues. This helps maximize arena profitability by keeping the facility in use more often, and is enhanced further when a single, often corporate, owner controls both teams and the shared facility - a growing trend in the 1990s.<sup>68</sup>

Historically, professional sports teams were owned by families or by one or a small group of wealthy entrepreneurs. With stadium revenues now such a desired commodity, however, corporate team ownership is on the rise, given the large amount of capital needed to run a team and finance a new or refurbished arena. Chicago’s Cubs are owned by the Tribune Company.<sup>9</sup> The San Antonio Spurs are owned by 21 businesses and individuals.<sup>71</sup> The new Arizona MLB team will be owned by seven corporations and three individuals.<sup>23</sup>

Corporate ownership of a team does not often provide a reasonable return on the investment, however, unless the arena itself is controlled.<sup>9</sup> The corporate franchise owner



minimizes risk and maximizes revenues by also owning the facility its teams play in. Beer brewer Molson, for example, which owns the Montreal Canadiens hockey team, sunk \$170 million into land and construction costs for a new arena for that team. The NBA Raptors' ownership group is financing a \$200 million arena and office complex for that team in Toronto.<sup>8</sup>

The corporate owner completely covers itself by owning *two* teams and the arena, as with the afore-mentioned cases in Philadelphia and Denver, thereby providing more facility events and creating corporate "synergy."<sup>66</sup> Cablevision Systems and ITT jointly own the New York Knicks and Rangers, along with Madison Square Garden and its cable TV network,<sup>4</sup> allowing for total control of all financial aspects associated with team and arena operations, and, as noted by ITT's chief financial officer, "better economies of scale."<sup>68</sup> Arenas that feature two teams also have a better chance of leasing all of their luxury suites, since suite holders usually get tickets to all public events in the arena, as is the case with Madison Square Garden.<sup>120</sup> A large Canadian entertainment and retail corporation, Orca Bay, owns the Vancouver NHL (Canucks) and NBA (Grizzlies) teams and the new, \$163 million arena they share - the first privately-funded sports arena in Canada since 1934.<sup>121</sup> The owner of the Washington Bullets and Capitals is building a new arena for both teams.<sup>66</sup> The Walt Disney Company owns the NHL Anaheim Ducks (plus a controlling interest in the Anaheim-based Angels baseball team), and is said to be considering buys of the Ducks' new arena and the Los Angeles Clippers NBA franchise.<sup>66</sup> Such a move would allow Disney to move the Clippers to Anaheim and maximize the use and revenue intake of its own arena. The shared arena concept can work even if corporations are not involved, as in Chicago, where the NBA Bulls and NHL Blackhawks are owned by separate individuals, each of whom owns half of the new arena that both teams use -- revenues are split evenly between the two teams.



## CHAPTER 6 FUNDING SPORTS FACILITIES

Given the broad range of prices, local politics, and team ownership, there is no “model” financing package for building or renovating sports facilities.<sup>122</sup> Some have contended that smaller markets, with fewer fans and a smaller corporate base, are especially apt to need subsidization,<sup>123</sup> but public monies still foot most of the bill for projects in cities of all sizes,<sup>14</sup> despite the fact that the general public does not generally support such public subsidies. A national poll conducted recently by Media Research and Communications found that “80 percent of Americans oppose the use of their tax dollars for sports stadiums and arenas.”<sup>124</sup> Perhaps the voices of opposition are less organized;<sup>125</sup> maybe minds change when it comes to a vote; stadiums are sometimes lumped in with other projects whose funding is likely to be approved; often, the matter is never even brought to a vote. Whatever the case, the public’s money is always at least somewhat involved in the construction of sports venues, even those financed wholly by the team itself.

The use of team money, from wealthy owners, expected stadium revenues, or private loans, has become more widespread, though. Corporate ownership, particularly in hockey and basketball, is on the rise, as owners seek sources of capital that are less politically contentious than public funds.

As with a city’s economic development, where the only proven success is a plan that includes pro sports as (just) a portion of a larger effort, the funding arrangements that seem to work best are those that place burden on both the public and private sectors.



## **Public Financing**

Taxpayers in the U.S. subsidized more than \$1 billion worth of stadium construction and renovation projects from 1993 to 1996.<sup>126</sup> Examining major league baseball alone reveals the weight public funds usually bear for new facilities:

- Baseball's five newest stadiums were all funded predominantly with public monies: Comiskey Park, Chicago (87 percent); Camden Yards, Baltimore (80 percent); Jacobs Field, Cleveland (84 percent); the Ballpark in Arlington (71 percent); and Coors Field, Denver (86 percent).<sup>127, 41</sup>
- The entire cost of the new baseball park in Phoenix will be funded by taxpayers.<sup>109</sup>
- State and county monies will pay for \$275 million of the estimated \$320 million cost to build the Seattle Mariners a new stadium.<sup>128</sup>
- A Virginia-based group of investors who want to establish major league baseball in that state proposed to pay a third of the \$300 million cost of building a stadium if the state financed the remainder.<sup>129</sup>

The pattern should continue when the football stadium boom begins, as they will demand the greatest public subsidy of the four major sports<sup>53</sup> because (1) their stadiums are usually the largest and most expensive; (2) their annual stadium revenues are lower, on average, since they host only 10 home games a year (versus baseball teams' 81 home games); and (3) they will less frequently share tenancy, like NHL and NBA teams often do, because of the recent push for single-purpose baseball facilities.<sup>82</sup> The new Trans World Dome and adjacent convention center in St. Louis, for example, will cost taxpayers \$720 million over the next 30 years.<sup>46</sup>

Sales tax increases are perhaps the most common form of taxation for stadiums. The monies gathered can be great, and proponents argue that the minuscule amount of the



hike (usually a fraction of a percent) does no harm to the average citizen. A five-county, “special” sales tax was approved by the Wisconsin legislature to cover \$160 million of the estimated \$250 million cost of building the Milwaukee Brewers a new ballpark.<sup>130</sup> A six-county sales tax increase funded \$161 million of the \$215 million cost of building Coors Field in Denver for the Rockies baseball team.<sup>41</sup> Hamilton County, Ohio, voters recently approved a half-cent sales tax increase to help fund the \$540 million construction of separate new stadiums for Cincinnati’s Reds and Bengals.<sup>66</sup> San Antonio’s Alamodome was funded mostly by a voter-approved, half-cent sales tax increase.<sup>131</sup> A sales tax increase will provide \$238 million to build the Arizona Diamondbacks’ \$300 million ballpark.<sup>14</sup>

Taxes aimed at specific industries, usually tourism-related, are an oft-used means of raising money without incurring the political wrath of the average taxpayer. Hotel and motel surcharges, nicknamed “bed” taxes, are promoted as a way to raise money from tourist visitors, not local citizens. New Orleans, which has had a four percent bed tax in place for over 20 years, used proceeds from that tax to pay off the bonds that built the Superdome.<sup>132</sup> Now the tax, which raises roughly \$22 million annually, is being used to finance, among other projects, a new, \$84 million multi-purpose arena meant to attract professional hockey or basketball.<sup>55</sup> Bed taxes funded the majority of the Chicago White Sox’ \$137 million stadium that opened in 1991.<sup>41</sup> Atlanta increased its existing bed tax to help fund the Georgia Dome.<sup>67</sup> Bed taxes in Pinellas County, Florida, will help pay for \$50 million worth of ThunderDome upgrades to ready that facility for baseball.<sup>41</sup> The Florida Panthers’ new, \$176 million arena in Broward County is being funded by a two percent bed tax.<sup>133</sup> Existing bed taxes in Nashville, along with a surplus in water department funds, back the \$80 million worth of bonds that city will issue to help fund a new football stadium.<sup>52</sup> Orlando used a hotel/motel tax to finance half of the cost of its



\$100 million home for the NBA Magic.<sup>131</sup> A proposal to build a \$415 million domed stadium for the Chicago Bears relies on \$185 million from restaurant and bed taxes.<sup>14</sup> Rental car and bar / restaurant taxes will supply most of the \$275 million worth of public funding for the Seattle Mariners' new stadium.<sup>46</sup> Tourist taxes will provide the bulk of financing for the Miami Heat's new arena.<sup>73</sup>

Such taxes often face more organized opposition, however, than do sales taxes. The state of Florida rejected a plan to tax rental cars in Hillsborough County to help fund a new stadium for the Buccaneers<sup>134</sup> after intense anti-tax lobbying by the rental car companies. Debate continues in Minnesota, where the MLB Twins want a new stadium, over the type of tax that might be used to fund the project. Hospitality and tourist councils are rallying against bed and "sin" (liquor or cigarette sales) taxes, charging instead that a metro-wide sales tax would be better since it would "not pass this off to one industry."<sup>135</sup>

Statewide measure are often even more politically delicate than local ones. States that fund one city's sports projects set a precedent that may result in a continuing cry for like assistance, as in the state of Ohio. After chipping in for Cleveland's Gateway Project, that state will contribute 15 percent of the estimated \$545 million for new arenas in Cincinnati for the Reds and Bengals.<sup>136</sup> The state is also to committed to 15 percent of the cost to build a new football stadium in Cleveland.<sup>126</sup> In June of 1996, a Pittsburgh mayoral task force laid out plans for a new, \$200 million baseball stadium that called for at least half of the funds to come from the state of Pennsylvania, citing a greater need than Philadelphia for state help due to Pittsburgh's smaller size and corporate base.<sup>89</sup> The state of Florida upped the ante by deciding in 1992 to grant a \$2 million annual sales tax exemption to stadiums that attract a new professional franchise.<sup>137</sup>



Stadium funding proposals are often tied to promises of “no new taxes.” Even so, critics argue, money is often diverted from other public projects like schools and roads. Such is the case in Nashville, where leaders proclaim their new football stadium is being built without increased taxes (the state’s \$70 million contribution comes from team merchandise taxes; the city’s from water department funds), but opponents fear a reduction of funds available for other needs.<sup>53</sup> City property owners there are already committed to increased property taxes to fund a \$120 million arena that also has no professional team.<sup>54</sup> A \$235 million baseball stadium for the Detroit Tigers was approved by voters with the stipulation that “no new taxes would be associated with the construction, infrastructure, and land assembly.”<sup>138</sup> The \$95 million public contribution includes a \$55 million grant from the state’s economic development-based “Michigan Strategic Fund” and \$40 million in city Downtown Development Authority bonds.<sup>139</sup> At the same time, the city’s NFL team, the Lions, are unhappy with the terms of their lease in the suburban Pontiac Silverdome, and are floating the idea of renovations or a new stadium backed partially by new bed and/or rental car taxes.<sup>140</sup> A recently-popular, though risky, way of technically not introducing new taxes is the use of tax-increment financing (TIF), which “involves taxing businesses that directly benefit from new construction.”<sup>141</sup> In this way, funds generated by the project itself are used to raise money.<sup>142</sup> The corporate owner of the Denver NBA and NHL teams is discussing such financing as a way to use public funds to help build a new arena while still meeting the city mayor’s demand that no new or increased taxes be levied.<sup>142</sup> The San Francisco Giants’ new park will be backed partially by TIF funding,<sup>95</sup> as was the land purchase for Minneapolis’ Target Center.<sup>143</sup> The practice is speculative, however, since debts are serviced by revenues that may or may not come to pass, depending on the amount of economic development around the stadium.<sup>31</sup>



Other no-tax ways of funding arenas have been proposed but not implemented. Ideas to partially finance new stadiums with city employee pension funds were suggested and defeated in Cincinnati in 1995 and San Francisco in 1992.<sup>104, 144</sup> Indian tribes in Wisconsin offered to contribute millions to a new Brewers baseball stadium if the state would approve their plan to open a gambling casino.<sup>145</sup> Previously, Wisconsin voters defeated a plan to create a sports lottery, like the one in Maryland that funded the Orioles' stadium, to help finance the Brewers' park.<sup>145</sup> A lottery was also rejected in Washington state as a way to build a new Seattle baseball stadium.<sup>128</sup>

Sports facility projects are often a part of a package that require voters to make an all-or-nothing vote, as with the economic revitalization plans in Oklahoma City, Denver, and Indianapolis. The sales tax increase referendum scheduled for September 1996 in Tampa would fund new schools and other public works projects along with a new stadium for the Buccaneers.<sup>146</sup> Funds to build the stadium would account for only 11 percent of the total proceeds from the tax increase.<sup>147</sup>

Then again, sports facility projects are frequently not presented to voters for a choice at all. In many states, such as Texas, referendums are not required unless the funds to pay for a new stadium originate from property tax-backed "general obligation" bonds.<sup>148</sup> Communities in such states who propose to issue "revenue bonds," which are backed by other taxes such as those on hotels/motels, rental cars, or event tickets, are not legally bound to conduct elections on the proposal<sup>148</sup> and, often, do not. Some governments have even held referenda that failed, then went ahead and funded the project anyway. In Seattle, for example, a month after voters barely rejected a September 1995 proposal to raise taxes to renovate the Kingdome and build a new baseball park, public funding for 86 percent of the \$320 million baseball field was nevertheless approved by the state legislature.<sup>124, 149</sup> The funding plan endorsed by the King County Council will



derive revenues from a combination of taxes on retail sales, rental cars, and restaurant sales.<sup>150</sup> Voters have occasionally taken action against such happenings. A city councilman in Phoenix lost his bid for re-election due, in part, to his leadership role in getting public financing for the Diamondbacks' new stadium.<sup>122</sup> Former Oakland mayor Lionel Wilson was not re-elected because of his plan to lure the Raiders back from Los Angeles - one that included the city guaranteeing a sellout at every game by purchasing all of the tickets and re-selling them.<sup>25</sup> State legislator George Petak became the first Wisconsin lawmaker to be thrown out of office in a recall vote when he changed his mind at the last minute and voted for the sales tax increase to help fund the new stadium for the Brewers.<sup>151</sup> The agreement between state and team, incidentally, which called for the Brewers to fund \$90 million of the \$250 million project, appeared dissolved until the Brewers were granted a low-interest, \$20 million loan from a local philanthropic foundation.<sup>152</sup>

The whole idea of funding stadiums with public money of any sort has come under fire more than ever, as voters and politicians have grown weary of the ever-increasing demands of pro sports teams. A county commissioner in Houston, who has seen public funds build and improve the Astrodome, reacted to the Oilers' and Astros' threats to leave: "How much public money is enough for them? If we put more money into the trough to make the sports owners and players richer, how long will it be before they come back to us and ask for more money in that trough?"<sup>153</sup> Allen Sanderson, a University of Chicago economics professor who studies professional sports, calls public funding of stadiums "a reverse Robin Hood effect," where average taxpayers subsidize wealthy team owners, players, and fans (those who can afford premium seats or luxury suites).<sup>46</sup> Luxury suites, in fact, are a primary item of contention with opponents of publicly-funded sports venues. Critics contend that teams line their owners' pockets by



getting the tax-paying public to pay for the construction or expansion of these suites.

Owners argue that luxury suites help underwrite the average fan by keeping ticket prices down.<sup>9</sup>

In the end, whether voted on or not, the exorbitant cost of the modern-day sports facility usually necessitates a wide, and often complex, mix of funding sources. Such was the case with Cleveland's \$430 million Gateway Project. Completed in 1994 and designed to "bring people downtown and keep them there," it included a \$161 million, 42,000-seat baseball park; a \$118 million, 21,000-seat basketball arena; a five-story administration building; and underground pedestrian walkways and utility tunnels.<sup>154</sup>

Funding sources included:<sup>20</sup>

- a 15-year, \$180 million "sin" tax on purchases of beer, wine, liquor, and cigarettes, approved by voters by only a 1.2 percent margin
- \$25 million from the state of Ohio
- a \$120 million loan from Cuyahoga County
- advanced rentals of luxury suites at the baseball facility, Jacobs Field, that raised roughly \$20 million
- \$28 million from naming rights for both Jacobs Field and the basketball facility, Gund Arena
- a \$28 million loan from 50 local companies that is not due to be paid back, if ever, until 2023
- annual rent from the teams: \$2.95 million from the Indians and \$4.2 million from the Cavaliers

### **Private Financing**

Team contributions toward construction costs are usually derived from the very aspects that were the impetus for wanting the new facility: luxury suites and other



premium seats, advertising, parking, and concession revenues. During the first year of play in their new ballpark, for example, the Texas Rangers turned over 100 percent of the revenues from 122 luxury suites to the city of Arlington to help pay construction cost debt.<sup>68</sup>

Projects that are funded wholly or mostly by the team, however, require larger sources of capital. “Private placement debt” through institutional investors and traditional corporate bank loans have recently become more oft-used means of financing stadium renovation or construction projects. In addition to pleasing taxpayers and other critics of publicly-funded sports venues, private financing usually results in fewer cost overruns because of the more restrictive demands of private lenders.<sup>80</sup> Private placement funding is longer term (20 to 25 years), but typically includes stiff pre-payment penalties and a higher and fixed yield (interest rate) since the stadium or arena is not a “proven entity” with a corresponding credit rating.<sup>155</sup> Traditional loans, though shorter term (10 years maximum), can be re-financed and are often easier to obtain since banks are more accustomed to construction risk.<sup>155</sup>

The owner of Washington’s Bullets (NBA) and Capitals (NHL) is borrowing most of the money needed to build a new, \$175 million arena for those teams.<sup>66</sup> Philadelphia’s \$226 million Spectrum II arena is financed by \$186 million in private placement debt.<sup>80</sup> The private placement market will be used to fund the Golden State Warriors’ \$130 arena renovation project, as it was for new stadiums for other NBA teams in Toronto, Utah, Vancouver, and Boston.<sup>156</sup> The Tampa Bay Lightning borrowed to fund approximately one-third of the cost of their new, \$154 million “Ice Palace.”<sup>157</sup> The NHL Buffalo Sabres and MLB’s San Francisco Giants and Detroit Tigers are using private financing to fund the majority of their new stadiums.<sup>158</sup>



The NFL Carolina Panthers' stadium is generally regarded as the ideal example of a privately-funded sports venue, in that it was built for \$185 million without any taxpayer monies, features amenities to please both players and fans, and has the high revenue-producing capability (137 luxury suites) demanded by team owners.<sup>97</sup> Sales of PSLs raised more than \$100 million and team owners fronted \$60 million.<sup>53</sup> Another "model" sports venue is the year-old, multi-purpose facility in Portland, Oregon, part of a 38-acre, \$262 million re-development plan.<sup>150</sup> Cited the *Seattle Times* upon that arena's opening:

This city's new Rose Garden Arena ... was financed without owner threats, ballot measures, special legislative sessions, or predominantly public funding. What the ... complex has had going for it is a clear need, a rabid fan base, and the deep pockets of Seattle software billionaire Paul Allen, owner of the Portland Trail Blazers NBA team. Of the arena's \$262 million pricetag, just \$34.5 million came from a public jurisdiction - in this case, the city. Officials hope to recoup the money within six years through a 6 percent ticket tax and parking and rent revenue. The remaining was all private: \$46 million from Paul Allen, a \$16 million Bank of America-Seafirst Bank loan, \$10 million in interest and the biggest chunk, \$155 million, from long-term mortgage notes handled by Prudential Securities.<sup>159</sup>

Such ventures frequently still require public support in the form of land or infrastructure improvements, as with Miami's privately-financed Joe Robbie Stadium.<sup>160</sup> In Portland, the Trail Blazers' actual arena was funded privately, but city monies were used for road access, sewer system upgrades, landscaping, and parking.<sup>159</sup> The Washington Redskins are building their own \$170 million stadium in Maryland, but are being provided with \$70 million worth of state-funded infrastructure upgrades.<sup>161</sup> Even the Carolina Panthers' stadium had some public funds linked to its construction, as the land it occupies was purchased, then "donated," by the city of Charlotte.<sup>97</sup>

Private debt will probably remain a last resort, though, because of its higher cost, the team owner's risk, and the likelihood that much of the sought-after stadium revenue will be withheld until the debt is retired. The Lightning's revenue from 64 luxury suites, for example, is being used as collateral until their \$50 million construction loan is repaid.<sup>157</sup> Baseball's Giants tried to get public funding for a new stadium for years (four



times just since 1987) before finally developing a plan to do so privately. If ultimately successful, they would be the first MLB team to privately finance a new ballpark since 1962, when Dodger Stadium was built.<sup>162</sup> The Giants' risk is high, however, since its ability to handle \$140 million in debt is based on drawing a million more fans per year (for 20 years) than it currently does.<sup>14</sup> Long-term funding for high-risk ventures (like professional sports) is also difficult to obtain from an investment community that is, traditionally, both conservative and skeptical. The Trail Blazers' ability to secure private placement financing was assuredly helped by the backing of team owner Paul Allen, a majority stockholder in the Microsoft Corporation whose personal wealth ranks him as the nation's fourth-richest individual.<sup>159</sup> Private financing is also more expensive, of course, since tax-exempt bonds can not be used in such ventures.

Even privately funded stadiums can become burdensome to the public, as did the Target Center in Minneapolis, home to the NBA Timberwolves. It was built with private money, but taken over by city and state governments in a public buyout in order to retain the team when its owners threatened to sell in order to recoup over \$25 million in losses suffered during the arena's first four years.<sup>163</sup> There is still \$75 million of outstanding debt on the building.<sup>164</sup>

### **Project Delivery System**

The entire package of design and construction contracting, project financing, and facility lease agreement for large projects like a stadium is usually referred to as the "project delivery system."<sup>165</sup> The arena projects that seem to most closely approximate a "win/win" product for both team and government are those that place responsibility on both parties in the concept and execution of the project delivery system.

The agreement that the Florida Panthers NHL team and Broward County struck to build a new arena, for example, includes the following provisions:<sup>166</sup> The county must



maintain the facility “to the same standard as an average of five of its newest counterparts across the country,” including new arenas in Buffalo, Anaheim, and Philadelphia, but receives the first \$2.8 million in net arena revenues to help pay the construction debt. The county is funding the construction of the arena, but the Panthers are responsible for all construction costs beyond the projected cost of \$176 million.

The former Gator Bowl in Jacksonville, Florida, now the Jacksonville Municipal Stadium, was essentially rebuilt under an agreement between the expansion Jaguars and the city which stipulated that the city would pay for approximately \$30 million worth of infrastructure improvements and provide a maximum of \$120 million toward the stadium renovation (later raised to \$128.5 million), while the team assumed responsibility for construction management and any cost overruns.<sup>165</sup> This allowed for a quicker timeline by avoiding the city’s more cumbersome contracting and procurement rules, and provided a financial dis-incentive for the team to make costly changes or additions to the planned construction.

A multi-purpose domed sports and entertainment facility, the Globe Arena, was the centerpiece of a \$333 million downtown development project in the late 1980s in Stockholm, Sweden, that featured a unique project delivery system.<sup>167</sup> A private consortium of contractors, real estate firms, and insurance companies designed and financed the entire development, which included a new hotel, shopping center, and 1.25 million square feet of new office space. The city donated all of the land (50 acres); provided the consortium with a \$63 million, interest-free loan with no payments due for three years; promised to reimburse the consortium for any shortfalls in projected office rentals; and promised to not permit any other developments in the area for three years. In return, the city was given ownership of the Globe Arena and a fiscal guarantee that it would be finished in time for the world hockey championship the city was due to host: the



“liquidated damages” clause in the construction called for \$166,000 in penalties for each week after the estimated completion date the arena opening was delayed.

More public / private efforts that call on both parties to bear responsibility are cropping up. The NBA Miami Heat, who, like the NHL Panthers, are unsatisfied in Miami Arena, will bear a fiscal responsibility that requires them to cover any shortfalls in expected tax revenues in their deal with Dade County for a new arena.<sup>166</sup> Public funds will provide \$200 million to build a new arena and supporting infrastructure in Atlanta for the NBA Hawks, but all arena proceeds will go toward the \$135 million construction cost, and the team will cover any revenue or tax shortfalls.<sup>168</sup>

A thoughtful project delivery system may have helped in the case of Toronto’s Skydome or in Cleveland, where taxpayer costs for the Gateway Project were \$100 million more than originally estimated.<sup>80</sup> The Skydome, home of the MLB Blue Jays, opened in 1989 and cost Ontario province taxpayers \$322 million -- \$275 million more than projected.<sup>80</sup> During the inception of the project, a consortium of private investors contributed \$120 million for a 49% share of ownership of the facility. As minority owners, the consortium was not responsible for construction cost overruns, but nevertheless was given 12 of the 15 seats on the project’s governing board.<sup>169</sup> That board was the body responsible for project add-ons - a retractable roof, Hard Rock Cafe, the largest McDonald’s in North America, 365-room hotel, health club, and “lavish” offices - that increased building costs from \$167 million to almost \$500 million, the difference of which taxpayers funded.<sup>169</sup>

Though a popular and architectural success, Skydome was an immediate financial disaster for the province. With more than half of the construction cost financed with debt, interest payments alone totaled more than \$26 million a year.<sup>67</sup> In the third year of operation, even though the Blue Jays broke the MLB attendance record by drawing more



than four million fans, the stadium had an operating loss of almost \$16 million.<sup>67</sup> After years of trying to finance the operation and debt service of the stadium, the province finally sold it in March of 1994 to a private consortium for only \$111 million,<sup>80</sup> meaning Ontario taxpayers suffered a \$211 million loss that will not be recouped until halfway through the 21st century.<sup>169</sup>



## CHAPTER 7 POLITICS AND LEGISLATION

A number of issues which orbit and interact with professional sports could affect the continuation or expansion of the push to build more stadiums. Pro sports teams use a variety of special provisions to maintain bargaining leverage, obtain public funding, and avoid taxes. Their status may eventually diminish, though, with legislative measures, cooperative pacts, and lawsuits -- all of which are meant to eliminate the anti-trust exemptions, loopholes in tax laws, and strict ownership rules that teams use to fuel private growth at public expense.

### **Threats and Promises**

Whether to wrest funding for a new stadium or enhance the sale price of a team, sports franchises, like many other businesses that negotiate with cities, often use unreasonable threats to seize the upper hand in bargaining power and establish a rationale for leaving if negotiations break down.<sup>170</sup>

Almost every new or renovated sports facility, and the public funding thereof, is leveraged, in part, by the threat of team relocation or an actual move. Fifteen teams changed locations between 1970 and 1990, including those who made went from urban to suburban facilities; still others got new or refurbished arenas by threatening to leave.<sup>171</sup> Recent examples of the latter include baseball's Chicago White Sox, football's San Diego Chargers, and hockey's New Jersey Devils. The White Sox, who toyed with the idea of leaving town for years, were built 27 new skyboxes in their old stadium in 1982 in return for a promise to stay, but by 1985, they had already begun the process of again threatening to leave unless given a new stadium.<sup>15</sup> White Sox owner Jerry Reinsdorf blatantly acknowledged the strategy of making threats and using hopeful communities, like Tampa Bay, to get a new facility: "We had to make threats to get the new deal. If we



didn't have the threat of moving, we wouldn't have gotten the deal."<sup>172</sup> The recent decision to renovate the Chargers' stadium quelled their threats, but led to renewed threats by the MLB Padres, who share the Chargers' stadium under a lease that expires in 1999, to leave unless a baseball-only stadium is constructed for them.<sup>90</sup> The Devils nearly left for Nashville, but stayed in New Jersey when given \$25 million in lease concessions at their arena.<sup>1</sup> Other threats continue. The prospective new owner of the Seattle Seahawks NFL team is basing his purchase on the contingency that voters approve a tax increase to fund a \$200 million stadium for the team.<sup>173</sup> The Milwaukee Brewers hinted at relocation if the public contribution for a new stadium was not enough for their liking.<sup>174</sup> The (separate) owners of Cincinnati's Reds and Bengals threatened moves to Kentucky and Baltimore, respectively, before each getting public funding for new stadiums.<sup>136</sup> Threats also help owners whose teams are for sale, as explained by the president of the Pittsburgh Pirates: "You have to use the threat of relocation as leverage to attract local ownership. Without it, a team cannot be sold for a fair price."<sup>175</sup>

Usually, threats produce the desired result of a new or overhauled stadium, or at least a more favorable lease. Actual moves have not occurred often in basketball or baseball, which last saw a relocation in 1971, when the Washington Senators moved to Arlington, Texas, and became the Rangers.<sup>70</sup> The NHL has the most lenient policy toward franchise moves -- the Winnipeg Jets will become the third NHL team to change homes in the last three years when they move to Phoenix in the fall of 1996, though all were the result of poor support. The NFL, on the other hand, has seen seven franchises change homes since 1982,<sup>126</sup> and, except for the Giants' and Jets' move across the river to New Jersey, all involved drawn-out and emotional battles. With the stadium boom just beginning in the NFL, and with the significantly higher costs associated with their



facilities (especially if single-purpose, as is the trend), football could see even more franchise shifts in the years ahead.

While the sports leagues, especially the NFL, claim they are “powerless to stop” such movements, others, like Representative Martin Hoke (R-Ohio) say they choose not to: “It’s not that leagues can’t restrict team movement. It’s that they refuse to do so, because it’s clearly against the owners’ economic interest.”<sup>126</sup> The NFL would contend that remark, pointing to the recent hiring of Richard Horrow, a Miami-based lawyer and stadium development consultant, to help cities keep their football teams by “negotiating leases, coming up with financing plans, and mediating disputes.”<sup>176</sup> Team owners, however, especially in the NFL, like having the ever-possible relocation threat as leverage, and are not likely to set a precedent that could undermine their own interests. As Browns owner Art Modell told fellow owners when he decided to relocate the team to Baltimore: “If this league allows the mayor [of Cleveland] to hold the Browns hostage, then every one of you are hostages, too.”<sup>177</sup>

If the leagues indeed are “powerless” to stop team moves, some believe that governments are not. Regulations that monitor the relocation of sports franchises have been proposed, though never passed, for years, as they were during Congress’ 1984-1985 session.<sup>177</sup> With the current booms of facility construction, public investment, and team worth showing no signs of slowing, however, such rules may find new life. Legislation was recently introduced by Congressman Hoke that would govern the parameters of team moves. The Fan Freedom and Community Protection Act requires (1) team owners to give a six months notice of an intent to move; (2) the league to hold two public hearings before granting relocation approval; and (3) the league to grant the jilted city a new team within four years if the former team left despite being profitable.<sup>179</sup> The act would also permit team ownership by public trusts or municipalities, currently forbidden by the



NFL.<sup>126</sup> The bill is not expected to pass, but nonetheless has “if you build it ...” cities, like Nashville, concerned that just the discussion of such a measure could retard efforts to proceed with their stadium’s construction.<sup>101</sup>

Conversely, *Financial World* suggests that allowing teams to change locations “at will” would ensure that teams are located in cities that support them, thereby reducing “the need for government subsidies in those cities that cannot, or will not, back a team.”<sup>83</sup>

Non-legislative attempts to unify cities and states against the threats of pro franchises have also been attempted, but have failed when cities are tempted by the prospect of getting a new team. The National Governors Association, for example, in 1984 passed a resolution “calling for safeguards against franchise movement when host cities have a record of supporting the franchise.”<sup>180</sup> Shortly thereafter, however, the governor of Maryland, despite having just watched his state’s NFL franchise lured away by another city, lobbied for Baltimore as a possible new home for the NFL Cardinals, who were unhappy in St. Louis.<sup>180</sup>

The most drastic efforts to combat the relocation threat took place in Oakland and Baltimore, which went as far as attempting unprecedented legal action to keep their NFL franchises. Arguing that the Raiders were “an important part of the city’s economic and social makeup and that the city had the right to seize the franchise to protect those public interests,” the city of Oakland filed an eminent domain suit against the team in 1980.<sup>181</sup> The suit failed, as the courts were unwilling to establish a precedent for such a broad interpretation of the powerful tool of eminent domain, asserting that it would be “dangerous and heavy-handed for a government to take over a business, including all of its intangible assets, for the sole purpose of preventing its relocation.”<sup>182</sup> Baltimore filed a similar suit to keep the Colts, but did so too late to have the case even heard.<sup>183</sup> Cleveland also “explored” this option when the Browns left for Baltimore.<sup>177</sup>



## Antitrust

Anti-trust laws exist to prevent monopolies from being formed by businesses that attempt to “restrain the activities of competitors or potential competitors.”<sup>184</sup> The major professional sports are given immunity to these laws, either explicitly, as in baseball, or implicitly, as with the others. Baseball’s specific exemption is based on a 1922 U.S. Supreme Court decision that determined that baseball was (1) an intrastate activity “played within the borders of a single state” and not subject, therefore, to federal statutes; and (2) not subject to anti-trust scrutiny because it “was more a game or amusement than a business.”<sup>184</sup> The exemption still stands, even though the definition of interstate commerce has been broadened,<sup>184</sup> and baseball, or any other major league professional sport, is obviously now more than “a game or amusement.”

Court decisions involving the matter of pro sports leagues’ anti-trust status usually revolve around the question of whether the leagues are single entities or a collection of businesses -- cooperation within the latter would violate the anti-trust laws.<sup>185</sup> Such decisions have held that the leagues are both, and that they should be allowed to cooperate on some matters (scheduling, for example), but not on others (collusion to deny franchises to cities, for example).<sup>185</sup> The most important decision involving anti-trust was the 1980 suit filed jointly by the Oakland Raiders and Los Angeles Memorial Coliseum Commission against the NFL for attempting to stop the team’s move to L.A. In May 1982, a U.S. District Court jury found that the NFL’s attempted block “was an attempt to prevent competition with the (L.A.) Rams or to keep the market open for a later expansion team.”<sup>186</sup> This decision was crucial because it made the NFL fearful of challenging other attempts to move, like the Colts’, even though league bylaws called for the consent of the other team owners.<sup>187</sup> NFL Commissioner Paul



Tagliabue, in recent testimony before Congress, asked for the explicit anti-trust protection that baseball enjoys in order to have the ability to veto franchise moves.<sup>50</sup>

As with franchise relocation, some call for a Congressional review of pro sports' operations and privileges, but, as written in *Financial World*, "for decades, Congress has treated big-time sports as if they were games adults play, and has never imposed the usual regulatory restraints such as antitrust. In effect, this has permitted management of the teams in each of the four major sports leagues to work in concert, in what some critics ... maintain is anti-competitive."<sup>9</sup> Specifically, it has allowed the leagues to control the number of franchises, pool resources with revenue sharing, control player movement and salaries, and gain public funding for new stadiums.

Critics argue that, because of their anti-trust exemption, professional sports leagues are essentially "cartels,"<sup>123</sup> whose teams possess monopolistic powers that allow them to get public funding for new venues by threatening to leave. The leagues have used supply (of new teams - limited by the leagues) and demand (for new teams - by willing cities), they contend, to limit the number of teams, thereby ensuring a constant pool of cities that want a new team. Economist Roger Noll of Stanford University states: "The main rationale for the shortage of teams is to create a bidding war among cities for teams because limiting the number of franchises gives team owners enormous market power in dealing with localities in getting local subsidies."<sup>83</sup> Before Tampa Bay was finally awarded a baseball team, the executive director of the players' union asserted that it was by MLB design: "If you put a team in Tampa, [owners like the Chicago White Sox' Jerry] Reinsdorf can't extort money from the city of Chicago by threatening to move to Tampa. That's worth more to him than any number of expansion teams."<sup>188</sup>

Years ago, sheer population size usually determined whether or not a city was franchise-capable.<sup>189</sup> Now, stadium revenues and politics play a much larger role. As a



condition of the Browns' departure for Baltimore, Cleveland obtained a legally-binding promise from the NFL to grant the city a replacement for the Browns by 1999.<sup>190</sup>

Because of that, and the fact that NFL owners do not want the pot of television revenues divided up more with expansion teams, the nation's second largest city, Los Angeles, may go for years without a professional football team of its own.<sup>191</sup> The NFL, in fact, has been the most effective user of the special status granted to professional sports by sharing more revenues amongst its teams than the other sports which has led, ultimately, to higher average franchise values in that league.<sup>9</sup>

Author Charles Euchner contends that the monopoly status that the pro sports leagues enjoy has allowed teams "to control the tempo and scope of political confrontations."<sup>192</sup> Houston Mayor Robert Lanier, who refused to publicly subsidize a new stadium for the NFL Oilers stated: "Cities now build stadiums for football teams out of fear. NFL franchises have been granted monopoly favors by the U.S. government, and they're abusing that power by extorting tax dollars from communities across the country."<sup>126</sup>

The "cartel" mode of operations used by the pro sports leagues, Euchner argues, is evidenced by their intervention on behalf of member franchises to help gain government financial support.<sup>193</sup> The leagues themselves are often willing partners with teams in making threats, pleas, or promises to cities and states in order to get new facilities built. The San Antonio Spurs have played in the Alamodome, a facility built primarily for football, since it was completed in 1993. Though seven years remain on their lease, the team has made recent overtures about needing a new facility to remain "financially competitive," prompting the following comments from the NBA's Deputy Commissioner: "I think, long-term, it's a difficult prospect. The Alamodome is not a state-of-the-art basketball facility. It has to do with luxury suites and the suites being in



places suitable for corporate ownership and for their entertainment purposes.”<sup>71</sup> In 1990, Cleveland voters were told by MLB Commissioner Fay Vincent that their MLB Indians would leave if a 15-year sin tax to help pay for a new stadium was not approved.<sup>20</sup>

Baseball’s executive council conditionally awarded Milwaukee the 1999 All-Star Game if it promised to build a new stadium by then.<sup>194</sup> A group of Houston politicians was told by NFL Commissioner Paul Tagliabue that, if the Oilers leave for Nashville, they would “likely” get a new team if that team was guaranteed annual revenues of at least \$70 million in a new stadium.<sup>195</sup> The mayors of Boston and Houston were promised by NFL Commissioner Paul Tagliabue “strong consideration” for future Super Bowls if they built new stadiums.<sup>196</sup> While testifying before a state panel considering the construction of a new stadium, the owner of the New England Patriots was accompanied by an NFL vice-president who urged the state to build the facility “to allow the Patriots to be competitive against teams playing in newer facilities that guarantee them larger revenues.”<sup>87</sup>

### **Tax-Exempt Bonds and Sports Authorities**

Many of the public initiatives to build or renovate sports facilities involve the use of tax-exempt bonds. Typical stadium financing packages include tax-exempt “general obligation” bonds, other tax-exempt bonds (such as those backed by bed or sales taxes), taxable bonds backed by anticipated stadium revenues, or a combination thereof.<sup>197</sup> The vast majority of the funding for the Florida Panthers’ new arena, for example, is derived from \$160 million worth of tax-exempt bonds backed by a bed tax increase.<sup>198</sup> Cleveland’s Gateway Project was funded, in part, by a \$117 million, tax-exempt bond that could have cost \$30 million to \$40 million more had it been taxable;<sup>154</sup> the city’s proposed new football stadium similarly relies on tax-exempt bonds for \$140 million of its \$220 million total construction cost.<sup>199</sup> The Ice Palace in Tampa was financed with a combination of taxable and tax-exempt bonds.<sup>197</sup> Opposition to the use of these bonds



for, essentially, private enterprise is growing, however. Teams and communities may have to scrap or re-work plans for new arenas if tax-exempt bonds are banned since the cost of borrowing money would escalate, substantially increasing the total cost of construction.

In early 1996, the Congressional Research Service released a report that “questioned the value of providing either federal or state subsidies for pro sports facilities” and called for a closure of a loophole in the 1986 Tax Reform Act that, while banning the use of “private-activity” bonds for stadiums, still allowed cities to use “governmental-purpose” bonds for the same.<sup>200</sup> Acting on that report, U.S. Senator Daniel P. Moynihan (D-N.Y.) recently introduced legislation that would prohibit the use of all state or local government bonds to build pro sports facilities.<sup>201</sup> The key difference between private-activity and government-purpose bonds is that the former are fully taxable, while the latter are tax-exempt. The legislation’s intent is to “restore the original purpose of municipal tax-exempt bonds, which is to fund projects with a traditional government purpose.”<sup>201</sup> Moynihan says the 1986 law was meant to stop all uses of tax-exempt bonds for sports stadiums, and that the loophole hurts governments by “requiring them to offer more favorable lease terms to professional tenants and to finance their subsidy with general revenue rather than by user charges and rents.”<sup>202</sup>

Like the franchise relocation measure, Moynihan’s legislation, officially called STADIA (Stop Tax-exempt Arena Debt Issuance Act),<sup>203</sup> is given little chance of passage, but has several communities wary of proceeding with their own planned usage of tax-exempt bonds.<sup>204</sup> In Denver, voters will decide in November 1997 whether or not to adopt a 0.1 percent sales tax increase to build the NFL Broncos a new \$180 million stadium using tax-exempt bonds. Under Moynihan’s legislative change, however, which would affect bonds issued on or after June 14, 1996,<sup>199</sup> taxable bonds would have to be



issued and, because of the higher rate of return that would have to be paid to the bonds' investors, Denver-area taxpayers' costs would substantially increase - as much as \$3.8 million in the first year alone.<sup>205</sup> Stadium proposals in Miami, Cincinnati, and Milwaukee, among others, also rely heavily on tax-exempt bond issues, and could be in doubt if STADIA passes.<sup>199</sup>

A method of avoiding both the tax burden of a sports facility and the possible public resistance to financing it is to create local "sports authorities." Sports authorities (or stadium districts) are established to act as the city's arm for coordinating property matters, negotiating with teams, and overseeing facilities, but often are also granted the ability to provide public financial support for projects without having to get public approval to do so.<sup>67</sup> Sports authorities often "own" a city's sports venues, then lease them to the teams, usually for a low price, so that the team is not burdened with the (tax) responsibility of owning the facility. In Fort Worth, Texas, for example, a privately-funded motor speedway currently under construction will be annexed by the city, then owned by the city's sports authority. The authority, as a public, non-profit corporation, enjoys a tax-exempt status, meaning that property taxes cannot be collected on the full value of the speedway.<sup>206</sup> The local school board, of course, is vehemently opposed, as it stands to lose up to \$1.5 million a year in tax proceeds because of the exemption.<sup>206</sup> The public-subsidy-for-private-investment debate often involves these sports authorities, as in Phoenix, where the expansion baseball team's stadium is under construction. The 23-acre site it occupies was acquired, in part, through legal condemnation proceedings filed by the Maricopa Stadium District against 20 individual property owners.<sup>207</sup> Landowners were unsuccessful in blocking the condemnation, but a dissenting judge on the state's Court of Appeals argued that the procedure should have been disallowed "under the guise that it would benefit the public" because of the agreement that, again, called for the Stadium



District to own the ballpark and lease it to the team for a sum deemed to be below fair market value.<sup>208</sup> The other reason it pays to keep a team's rent low relates back to the 1986 Tax Reform Act. That law permitted stadium bonds to keep a tax-exempt status as long as team rental payments are "less than 10 percent of the arena's annual debt service."<sup>67</sup>

### **Public Team Ownership**

In the future, as the arena construction and stadium revenue booms settle, teams will undoubtedly search for new ways to generate cash. Some experts believe one of these avenues will be public ownership.<sup>209</sup> Cities and states also like the idea, but for other reasons. During an "emergency summit" of U.S. mayors, convened in January 1996 to consider the dilemmas posed by pro sports teams, public team ownership was among the most-discussed ideas for controlling the costs of, and threats by, pro franchises.<sup>177</sup>

Public ownership is neither a new, nor totally untested, idea, having succeeded in the Pennsylvania cities of Harrisburg and Scranton, each of whom purchased minor league baseball teams in the last seven years.<sup>177</sup> Given the lower budgets and affiliations (with big-league teams) these teams enjoy, though, they are poorer models of major league public ownership than are the Green Bay Packers and Boston Celtics, this country's only publicly-owned major league sports teams.

The Packers are owned by roughly 1,900 individual shareholders, mostly local residents, and are not much of a threat to leave town since the fans themselves are the owner.<sup>210</sup> The team sold shares in the 1920s and 1950s "to avoid insolvency,"<sup>50</sup> setting a purchase cap to avoid majority control by one shareholder.<sup>177</sup> The Packers are a rarity, however, having been "grandfathered" into the NFL's rules, which stipulate that one person must have operating control of the team.<sup>211</sup> The reason for such a rule relates back to team owners' desire to maintain the power and worth of their teams, which depend



greatly on the “freedom to move to more lucrative territory.”<sup>177</sup> If more teams are publicly held and, therefore, not likely to leave, the logic goes, the leverage gained by the threat of relocation is diminished, along with the chance of greater public funding. Baseball also has a dim view of public ownership -- the owner of the San Diego Padres discussed transferring ownership of that team to the city in 1990, but was rejected by MLB.<sup>211</sup>

Like it or not, the leagues may eventually be forced to accept the idea, though; either judicially or legislatively. The former owner of the New England Patriots has an ongoing \$50 million lawsuit against the NFL for not allowing him to take that team public in the late 1980s.<sup>157</sup> Using the Packers as a model, a New York assemblyman recently drafted a bill that would create a state sports authority “to sell bonds, buy a team, and then offer team shares for public purchase.”<sup>177</sup>

Experts differ on the feasibility of government ownership. Daniel Alesch, a University of Wisconsin-Green Bay professor, believes it could work in the NFL, as with the Packers. “You’d have to come up with an upfront investment, but it’s very likely to become profitable. You can contract out to real football people to run the team, and the thing can become self-sustaining.”<sup>177</sup> Others, like David Peterson, managing director of Price Waterhouse’s sports consulting group, contend that the high costs involved with teams today would place undue risk on the government.<sup>177</sup>

While not generally in favor of public ownership, baseball, along with hockey and basketball, has no formal provision prohibiting it.<sup>177</sup> The NBA, in fact, has this country’s only publicly-owned and traded franchise, the Boston Celtics, who have traded on “the big board” as a tax-free limited partnership since 1986.<sup>209</sup> The Celtics’ principal owners raised \$40 million from the sale of stock to 68,000 shareholders at an initial price of \$18.50 per share, and retain total control “over finances, profit distribution, and



executive compensation to the general partners.”<sup>212</sup> The Celtics were not even the first NBA team to try such ownership. The Milwaukee Bucks and Cleveland Cavaliers were publicly held in the 1970s before taken private later, and the Denver Nuggets attempted to sell shares after witnessing the Celtics’ success, but abandoned the idea after minimal interest.<sup>212</sup>

The idea has again resurfaced, though, as teams seek other avenues to defray the cost of making money (by building new facilities). Following in the Celtics’ footsteps, and those of the Toronto Maple Leafs (Canada’s only publicly-traded pro team), the Florida Panthers are awaiting the approval of federal regulators and the NHL to sell a portion of the team on Wall Street.<sup>212</sup> Discussions involving the recent purchase of the NBA Dallas Mavericks included the possibility of placing “the team, its arena, and several broadcast properties under one corporate umbrella and then tak[ing] the entity public.”<sup>14</sup> Minnesota’s NBA Timberwolves and MLB Twins “have discussed going public with a joint stock offering.”<sup>96</sup>



## CHAPTER 8 CONCLUSION

Despite its many controversies, professional sports continue to thrive, and despite their enormous costs, arenas continue to be built. Appendix A contains Tables 3, 4, 5, and 6, which summarize the estimated worth and stadium situations of each of the 113 major league professional teams. An inspection of these tables reveals that:

1. Teams that are worth the most are those in stadiums that are new or renovated and/or are owned, or leased under generous terms, by the team.
2. Virtually every team, in all four sports, either has a new or renovated arena and/or new lease; is about to get a new or renovated arena and/or new lease; or wants to get a new or renovated arena and/or new lease. The few exceptions, like the Miami Dolphins, Boston Red Sox, Los Angeles Lakers, and Detroit Red Wings, already rank among their league's leaders in both revenues and team worth.

Some believe the promise franchises and stadiums hold for cities is a mirage; others cite them as keys to economic renewal and civic pride. One Buffalo economist compared the current rush to build sports facilities to the fall of the Roman Empire: "To placate the masses and distract them from their economic problems, the Roman Caesars spent vast sums on bread and circuses. We're doing the same thing today, only we call it sports / economic development."<sup>37</sup> Sports economist Robert Baade also waxes historical: "It's an edifice complex. The Egyptians built pyramids. We build stadiums, shopping malls, and casinos."<sup>95</sup> Owners counter that critics fail to consider the money teams often pay back to their cities. Pittsburgh's three professional teams, for example, each pay a 5 percent amusement tax that goes directly into the city's general fund.<sup>46</sup>



Certainly, cities that are the most successful in promoting growth and fiscal revival are those that use sports teams and their arenas as an element of a comprehensive economic revitalization plan, not the whole of it. Cities that place an over-emphasis on pro sports often assume a position of lesser bargaining power, and, by putting the economic cart before the horse, may involve their communities in ventures that are not sustainable over a long period. Author Charles Euchner:

Whatever cities do to take on the sports industry, they will be vulnerable unless they improve their economic and political conditions apart from sports. Cities are most vulnerable to the relocation threats of businesses - manufacturing and service firms as well as sports franchises - when they do not have the fundamental building blocks of urban prosperity and a good quality of life.<sup>213</sup>

The tremendous growth of sports - pro teams are appreciating at 15 percent a year, according to University of Texas at Dallas economist Gerald Scully<sup>1</sup> - may continue to the point where average citizens can no longer afford to attend the games. Seat licenses, luxury suites, and rising ticket prices (7-8 percent annually in all four major sports since the 1970s),<sup>106</sup> necessities in the teams' eyes, are imposing new demographics on the fan base of professional sports. Even with new stadiums and their revenue-generating amenities, enough may never be enough. *Financial World* predicts that MLB, the NFL, and the NBA "are steadily approaching middle age," and that stadium revenues alone will not be enough to sustain future gains in profitability and worth.<sup>9</sup> As such, corporate ownership will continue to increase -- some experts even predict that teams will one day bear the name of their corporate owner, as do professional baseball teams in Japan, not their home city or state.<sup>106</sup>

Even greater sources of revenue will be needed if the frequent reliance on public money to build these stadiums is curtailed. The growing resentment of pro sports' many special privileges and exemptions may one day result in a more market-based approach to building stadiums, as wishfully editorialized by *The National Review*: "Team owners and



players, insulated by taxpayers from the cost of stadium financing, are doing extremely well without having to exert themselves to meet the demands of their market ... if new stadiums and arenas have economic value, individuals acting in the marketplace will see that such facilities are built without government intervention.”<sup>124</sup> Especially galling to the critics of public funding for arenas and ballparks are the city-versus-city battles to get or keep a team, most of which end up (only) benefitting the teams. As the bar is raised by one team’s success in getting funding or lease concessions, other teams seek to do likewise. The NFL’s benchmark, for example, was set by St. Louis, Oakland, and Jacksonville, then set again, only higher, by Baltimore. Cooperative efforts and sound project delivery systems help assuage individual cities’ concerns, but the use of threats and existence of “if you build it ...” strategies to help lend credence to those threats make bidding wars inevitable.

Governments have shied away from confronting the pro sports leagues on such matters, but that, too, may change, as evidenced by Congressman Hoke’s franchise relocation act and Senator Moynihan’s proposal to limit the use of tax-exempt bonds. The Senate Judiciary Committee held a series of hearings in late 1995 and early 1996 to review franchise relocation, anti-trust, revenue sharing, and other professional sports issues. Among the witnesses was Stephen Ross, a professor at the University of Illinois, who focused specifically on the NFL, and urged Congress to either: (1) re-create the American Football League (by repealing the 1966 legislation that merged that league with the NFL) in order to re-establish competition by ending “the artificial limit on expansion” and deny the NFL’s request for explicit anti-trust exemption; or (2) prohibit the use of tax subsidies to either retain or lure franchises and require the NFL to share all stadium revenues.<sup>214</sup> In arguing the case for the latter suggestions, Professor Ross used the Oilers’



impending move to Nashville to demonstrate that the current system of NFL revenue sharing gives owners a financial incentive to milk public funds:

If the Oilers win big on the field, they might have many sell-outs and ticket prices at the Astrodome could rise considerably, but Mr. Adams [team owner] will have to share 40% of this source of income. If the Oilers' players are popular, Oiler jackets, hats, helmets, and other paraphernalia might become big sellers, but Mr. Adams simply shares 1/30 of all profits from NFL Properties. If the Oilers design an exciting offense that attracts major television revenues, both in Houston and across the country, Mr. Adams simply shares 1/30 in the profits. However, if Mr. Adams can get a multi-million tax subsidy, he keeps it himself. This is not the way free enterprise is supposed to work in this society, and this Committee is the appropriate body to call a halt to these practices.<sup>214</sup>

Surely, though, no matter how the financing is arranged or where the teams are located, the building boom will continue, especially with the trend (back) toward single-purpose stadiums in football and baseball. Ironically, the city of Houston started the multi-purpose stadium trend with the opening of the Astrodome in 1965,<sup>215</sup> but is now on the verge of losing both the football and baseball tenants of that facility because each wants its own arena. In further irony, the Astrodome was also the first stadium to feature skyboxes,<sup>216</sup> a key component of the package luring the Oilers toward Nashville. Kansas City, on the other hand, which may be the only city currently hosting a major pro sport that has not faced some sort of team-departure threat<sup>211</sup> was 20 years ahead of its time in building single-purpose stadiums for the Chiefs and Royals in the early 1970s.

Teams may need such adroit forecasting skills to keep pace with their fellow teams and finance a payroll big enough to remain competitive, all while not alienating the very fans whose interest started the whole sports and arena-building boom to begin with.



**APPENDIX A**  
**Facility and Worth Summaries of the Four Major Sports**



**TABLE 3**  
**Major League Baseball Summary**

	FRANCHISE VALUE (\$ millions) and RANK WITHIN LEAGUE			CURRENT FACILITY		COMMENTS
	<sup>1</sup> 1990	<sup>2</sup> 1992	<sup>2</sup> 1994	<sup>2</sup> 1995	Name	
Atlanta Braves	74 <sup>(24)</sup>	88 <sup>(21)</sup>	120 <sup>(10)</sup>	163 <sup>(5)</sup>	Fulton County Stadium	1965
Baltimore Orioles	200 <sup>(2)</sup>	130 <sup>(6)</sup>	164 <sup>(2)</sup>	168 <sup>(2)</sup>	Orion Park at Camden Yards	1992
Boston Red Sox	180 <sup>(5)</sup>	136 <sup>(4)</sup>	143 <sup>(6)</sup>	143 <sup>(7)</sup>	Fenway Park	1912
California Angels	102 <sup>(15)</sup>	105 <sup>(11)</sup>	88 <sup>(20)</sup>	90 <sup>(22)</sup>	Anaheim Stadium	1966
Chicago Cubs	125 <sup>(9)</sup>	101 <sup>(15)</sup>	135 <sup>(8)</sup>	140 <sup>(8)</sup>	Wrigley Field	1914
Chicago White Sox	125 <sup>(9)</sup>	123 <sup>(8)</sup>	152 <sup>(4)</sup>	144 <sup>(6)</sup>	Comiskey Park	1991
Cincinnati Reds	102 <sup>(14)</sup>	103 <sup>(12)</sup>	84 <sup>(21)</sup>	99 <sup>(17)</sup>	Riverfront Stadium	1970
Cleveland Indians	75 <sup>(23)</sup>	81 <sup>(26)</sup>	103 <sup>(13)</sup>	125 <sup>(12)</sup>	Jacobs Field	1994
Colorado Rockies	--	--	117 <sup>(11)</sup>	133 <sup>(16)</sup>	Coors Field	1995
Detroit Tigers	84 <sup>(19)</sup>	97 <sup>(17)</sup>	83 <sup>(22)</sup>	106 <sup>(15)</sup>	Tiger Stadium	1912
Florida Marlins	--	--	92 <sup>(18)</sup>	98 <sup>(18)</sup>	Joe Robbie Stadium	1987
Houston Astros	92 <sup>(18)</sup>	87 <sup>(22)</sup>	92 <sup>(18)</sup>	97 <sup>(19)</sup>	the Astrodome	1965
Kansas City Royals	122 <sup>(11)</sup>	111 <sup>(9)</sup>	96 <sup>(16)</sup>	80 <sup>(23)</sup>	Kauffman Stadium	1973
Los Angeles Dodgers	200 <sup>(2)</sup>	135 <sup>(5)</sup>	143 <sup>(6)</sup>	147 <sup>(5)</sup>	Dodger Stadium	1962
Milwaukee Brewers	81 <sup>(21)</sup>	86 <sup>(23)</sup>	75 <sup>(26)</sup>	71 <sup>(25)</sup>	County Stadium	1953
Minnesota Twins	81 <sup>(21)</sup>	95 <sup>(19)</sup>	80 <sup>(23)</sup>	74 <sup>(24)</sup>	Hubert H. Humphrey Metrodome	1982
Montreal Expos	74 <sup>(24)</sup>	86 <sup>(23)</sup>	76 <sup>(24)</sup>	68 <sup>(26)</sup>	Olympic Stadium	1976
New York Mets	200 <sup>(2)</sup>	145 <sup>(3)</sup>	134 <sup>(9)</sup>	131 <sup>(11)</sup>	Shea Stadium	1964
New York Yankees	225 <sup>(1)</sup>	160 <sup>(1)</sup>	185 <sup>(1)</sup>	209 <sup>(1)</sup>	Yankee Stadium	1923
Oakland A's	116 <sup>(12)</sup>	124 <sup>(7)</sup>	101 <sup>(15)</sup>	97 <sup>(19)</sup>	Oakland-Alameda County Coliseum	1968
Philadelphia Phillies	130 <sup>(7)</sup>	96 <sup>(18)</sup>	96 <sup>(16)</sup>	103 <sup>(16)</sup>	Veterans Stadium	1971
Pittsburgh Pirates	82 <sup>(20)</sup>	95 <sup>(19)</sup>	70 <sup>(28)</sup>	62 <sup>(28)</sup>	Three Rivers Stadium	1970
St. Louis Cardinals	128 <sup>(8)</sup>	98 <sup>(16)</sup>	110 <sup>(12)</sup>	112 <sup>(14)</sup>	Buseh Stadium	1966
San Diego Padres	99 <sup>(17)</sup>	103 <sup>(12)</sup>	74 <sup>(27)</sup>	67 <sup>(27)</sup>	Jack Murphy Stadium	1967
San Francisco Giants	105 <sup>(13)</sup>	103 <sup>(12)</sup>	102 <sup>(14)</sup>	122 <sup>(13)</sup>	3Com Park	1960
Seattle Mariners	71 <sup>(26)</sup>	86 <sup>(23)</sup>	76 <sup>(24)</sup>	92 <sup>(21)</sup>	the Kingdome	1976
Texas Rangers	101 <sup>(16)</sup>	106 <sup>(10)</sup>	157 <sup>(3)</sup>	138 <sup>(9)</sup>	The Ballpark in Arlington	1994
Toronto Blue Jays	178 <sup>(6)</sup>	155 <sup>(2)</sup>	146 <sup>(5)</sup>	152 <sup>(4)</sup>	SkyDome	1989

SOURCES: Financial World magazine, various newspaper and magazine accounts

<sup>1</sup> 1992 figures assumed (incorrectly) that MLB would begin sharing stadium and local TV revenues

<sup>2</sup> 1994 figures are projected as if players strike had not occurred



**TABLE 4**  
**National Football League Summary**

	FRANCHISE VALUE (\$ millions) and RANK WITHIN LEAGUE					CURRENT FACILITY		COMMENTS
	1990	1992	1994	1995	Name	Year		
	Arizona Cardinals	120 <sup>(18)</sup>	125 <sup>(15)</sup>	155 <sup>(13)</sup>	166 <sup>(17)</sup>	Sun Devil Stadium	1958	
Atlanta Falcons	113 <sup>(24)</sup>	125 <sup>(15)</sup>	156 <sup>(12)</sup>	167 <sup>(15)</sup>	Georgia Dome	1992	\$243 million funded w/tax-exempt rev bonds (bed tax); 183 suites	
<sup>2</sup> Baltimore Ravens	145 <sup>(6)</sup>	133 <sup>(9)</sup>	163 <sup>(9)</sup>	201 <sup>(3)</sup>	Memorial Stadium	??	new \$175 million stadium in design/funding stage; 53,000 PSLs sold; best lease in sports	
Buffalo Bills	126 <sup>(11)</sup>	138 <sup>(6)</sup>	172 <sup>(5)</sup>	188 <sup>(7)</sup>	Rieh Stadium	1973	\$23 million renovations being discussed; lease expires after 1997 season	
Carolina Panthers	--	--	--	133 <sup>(30)</sup>	Carolinas Stadium	1996	\$160 million stad. funded privately; 60mil state \$\$ for infrastret; 135 suites	
Chicago Bears	126 <sup>(11)</sup>	136 <sup>(8)</sup>	161 <sup>(10)</sup>	184 <sup>(9)</sup>	Soldier Field	1924	new \$415 million dome stadium being discussed; team threatened move	
Cincinnati Bengals	125 <sup>(13)</sup>	128 <sup>(13)</sup>	137 <sup>(27)</sup>	171 <sup>(13)</sup>	Riverfront Stadium	1970	skybox revs in escrow; new stadium on line	
Dallas Cowboys	180 <sup>(3)</sup>	165 <sup>(1)</sup>	238 <sup>(1)</sup>	272 <sup>(1)</sup>	Texas Stadium	1971	stadium debt-free; 280 suites; among highest stadium revenues in sports	
Denver Broncos	113 <sup>(24)</sup>	119 <sup>(22)</sup>	150 <sup>(22)</sup>	164 <sup>(20)</sup>	Mile High Stadium	1948	team keeps no stadium revenues; vote on tax for new \$240mil stadium in Nov 1997	
Detroit Lions	116 <sup>(21)</sup>	118 <sup>(25)</sup>	141 <sup>(26)</sup>	150 <sup>(27)</sup>	Pontiac Silverdome	1975	team keeps no stadium revenues - wants new stadium or new lease	
Green Bay Packers	200 <sup>(2)</sup>	116 <sup>(27)</sup>	154 <sup>(14)</sup>	166 <sup>(17)</sup>	Lambeau Field	1957	only community-owned major league prof'l franchise - no departure threat	
Houston Oilers	119 <sup>(19)</sup>	132 <sup>(10)</sup>	158 <sup>(11)</sup>	159 <sup>(23)</sup>	the Astrodome	1965	public \$\$ for new stadium refused; team to move to Nashville in 1998	
Indianapolis Colts	116 <sup>(21)</sup>	122 <sup>(20)</sup>	134 <sup>(28)</sup>	145 <sup>(28)</sup>	RCA Dome	1984	team wants better lease agreement; poor attendance limits stadium revenues	
Jacksonville Jaguars	--	--	--	145 <sup>(28)</sup>	Jacksonville Municipal Stadium	1995	\$135 million + infrastructure; team controls stadium & revenues though city-owned	
Kansas City Chiefs	122 <sup>(17)</sup>	130 <sup>(11)</sup>	172 <sup>(5)</sup>	188 <sup>(7)</sup>	Arrowhead Stadium	1972	good lease; single-purpose facility ahead of its time	
Miami Dolphins	205 <sup>(1)</sup>	145 <sup>(4)</sup>	186 <sup>(2)</sup>	214 <sup>(2)</sup>	Joe Robbie Stadium	1987	shared with MI B Marlins	
Minnesota Vikings	119 <sup>(19)</sup>	123 <sup>(18)</sup>	154 <sup>(14)</sup>	167 <sup>(15)</sup>	Hubert H. Humphrey Metrodome	1982	team wants control of stadium in order to generate more revenues	
New England Patriots	100 <sup>(28)</sup>	102 <sup>(28)</sup>	151 <sup>(19)</sup>	165 <sup>(19)</sup>	Foxboro Stadium	1971	poor lease = low revenues; new stadium in planning / funding stage	
New Orleans Saints	124 <sup>(16)</sup>	130 <sup>(11)</sup>	171 <sup>(7)</sup>	184 <sup>(9)</sup>	Louisiana Superdome	1975	team wants stadium renovations	
New York Giants	150 <sup>(5)</sup>	146 <sup>(3)</sup>	168 <sup>(8)</sup>	183 <sup>(12)</sup>	Giants Stadium	1976	renovations or co-location w/MI B Yankees in new stadium being discussed	
New York Jets	125 <sup>(13)</sup>	119 <sup>(22)</sup>	149 <sup>(23)</sup>	153 <sup>(26)</sup>	Giants Stadium	1976	renovations being discussed	
<sup>3</sup> Oakland Raiders	135 <sup>(8)</sup>	124 <sup>(17)</sup>	145 <sup>(24)</sup>	162 <sup>(22)</sup>	Oakland-Alameda County Coliseum	1966	\$100 million stadium renovations used to lure team back from L.A.	
Philadelphia Eagles	141 <sup>(7)</sup>	149 <sup>(2)</sup>	182 <sup>(4)</sup>	192 <sup>(6)</sup>	Veterans Stadium	1971	team wants new stadium or new lease in order to generate more revenues	
Pittsburgh Steelers	112 <sup>(27)</sup>	120 <sup>(21)</sup>	144 <sup>(25)</sup>	154 <sup>(24)</sup>	Three Rivers Stadium	1970	team wants \$75 million renovation	
<sup>3</sup> St. Louis Rams	135 <sup>(8)</sup>	128 <sup>(13)</sup>	153 <sup>(16)</sup>	193 <sup>(5)</sup>	Trans World Dome	1995	\$260 million publicly funded; 120 suites; leased for only \$250,000/year	
San Diego Chargers	113 <sup>(24)</sup>	119 <sup>(22)</sup>	153 <sup>(16)</sup>	169 <sup>(14)</sup>	Jack Murphy Stadium	1967	\$60 million stadium renovations and new practice facility on line	
San Francisco 49ers	150 <sup>(4)</sup>	139 <sup>(5)</sup>	186 <sup>(2)</sup>	196 <sup>(4)</sup>	3Com Park	1960	recent \$35 million renovations; team still wants new stadium or new lease	
Seattle Seahawks	130 <sup>(10)</sup>	137 <sup>(7)</sup>	152 <sup>(18)</sup>	154 <sup>(24)</sup>	the Kingdome	1976	threatened move to L.A.; sale to local owner contng on taxes for new stadium	
Tampa Bay Buccaneers	114 <sup>(23)</sup>	118 <sup>(25)</sup>	151 <sup>(19)</sup>	164 <sup>(20)</sup>	Tampa Stadium	1967	team threatening to leave if taxes for new stadium voted down in September	
Washington Redskins	125 <sup>(13)</sup>	123 <sup>(19)</sup>	151 <sup>(19)</sup>	184 <sup>(9)</sup>	RFK Stadium	1961	new priv-funded \$170 million stadium on line; 280 suites; state \$\$ for infrastret	

SOURCES: Financial World magazine, various newspaper and magazine accounts

<sup>1</sup> 1992 figures reflect new league and players' association agreement reached in 1993

<sup>2</sup> team was located in Cleveland through 1995 season

<sup>3</sup> teams were located in Los Angeles through 1994 season



**TABLE 5**  
**National Basketball Association Summary**

	FRANCHISE VALUE (\$ millions) and RANK WITHIN LEAGUE				CURRENT FACILITY		COMMENTS
	1989/90	1991/92	1993/94	1994/95	Name	Year	
	Atlanta Hawks	53 <sup>(15)</sup>	54 <sup>(20)</sup>	84 <sup>(24)</sup>	96 <sup>(23)</sup>	the Omni	
Boston Celtics	180 <sup>(2)</sup>	91 <sup>(4)</sup>	127 <sup>(8)</sup>	134 <sup>(9)</sup>	Fleet Center	1995	\$155 million financed by 3 New England banks; 104 suites; co-located w/NHL Bruins
Charlotte Hornets	59 <sup>(11)</sup>	77 <sup>(8)</sup>	110 <sup>(11)</sup>	113 <sup>(16)</sup>	Charlotte Coliseum	1988	team wants new arena or better lease, which expires after 1996/97 season
Chicago Bulls	100 <sup>(4)</sup>	102 <sup>(3)</sup>	166 <sup>(4)</sup>	178 <sup>(4)</sup>	United Center	1994	\$165 million funded by team; owner owns half of arena, 216 suites; co-located w/NHL Blackhawks
Cleveland Cavaliers	61 <sup>(8)</sup>	81 <sup>(7)</sup>	133 <sup>(6)</sup>	151 <sup>(6)</sup>	Gund Arena	1994	\$120 million funded by "sin" tax along with M.J.B stadium; owner owns arena
Dallas Mavericks	54 <sup>(14)</sup>	56 <sup>(19)</sup>	81 <sup>(25)</sup>	89 <sup>(26)</sup>	Reunion Arena	1980	discussing new \$140 million arena with NHL Stars
Denver Nuggets	41 <sup>(24)</sup>	50 <sup>(26)</sup>	88 <sup>(21)</sup>	102 <sup>(21)</sup>	McNichols Sports Arena	1975	new \$150 million Pepsi Center on line for 1997/98, co-located and owned w/NHL Avalanche
Detroit Pistons	150 <sup>(3)</sup>	132 <sup>(2)</sup>	180 <sup>(1)</sup>	186 <sup>(3)</sup>	Palace of Auburn Hills	1988	owner owns arena; 180 suites draw league's highest stadium revenues
Golden State Warriors	51 <sup>(17)</sup>	62 <sup>(14)</sup>	93 <sup>(18)</sup>	114 <sup>(14)</sup>	Oakland Coliseum Arena	1966	\$90 million renovations on line - 72 suites; threatened move to SF or San Jose
Houston Rockets	58 <sup>(13)</sup>	58 <sup>(17)</sup>	95 <sup>(17)</sup>	116 <sup>(13)</sup>	the Summit	1975	team wants more stadium revenues; renovations being discussed
Indiana Pacers	33 <sup>(27)</sup>	45 <sup>(27)</sup>	77 <sup>(27)</sup>	94 <sup>(25)</sup>	Market Square Arena	1974	renovations on line
Los Angeles Clippers	43 <sup>(22)</sup>	54 <sup>(20)</sup>	87 <sup>(23)</sup>	88 <sup>(27)</sup>	L.A. Sports Arena	1959	good lease; team threatened move to Anaheim; wants new facility
Los Angeles Lakers	200 <sup>(1)</sup>	155 <sup>(1)</sup>	169 <sup>(3)</sup>	171 <sup>(5)</sup>	the Great Western Forum	1967	co-located with NHL Kings
Miami Heat	59 <sup>(11)</sup>	58 <sup>(17)</sup>	88 <sup>(21)</sup>	97 <sup>(22)</sup>	Miami Arena	1988	new \$185 million arena on line - 135mil public/50mil private; team gets all revs
Milwaukee Bucks	53 <sup>(15)</sup>	54 <sup>(20)</sup>	92 <sup>(19)</sup>	103 <sup>(20)</sup>	Bradley Center	1988	city's interest in sport questioned
Minnesota Timberwolves	51 <sup>(17)</sup>	65 <sup>(12)</sup>	99 <sup>(15)</sup>	110 <sup>(18)</sup>	Target Center	1990	local gov't bought arena after private owners threatened move, \$75mil in outstanding debt
New Jersey Nets	43 <sup>(23)</sup>	54 <sup>(20)</sup>	92 <sup>(19)</sup>	108 <sup>(19)</sup>	Continental Airlines Arena	1981	co-located with NHL Devils
New York Knicks	100 <sup>(4)</sup>	87 <sup>(5)</sup>	173 <sup>(2)</sup>	205 <sup>(1)</sup>	Madison Square Garden	1968	\$200 million renovation in 1991; 88 suites; co-owned and located w/NHL Rangers
Orlando Magic	61 <sup>(8)</sup>	60 <sup>(15)</sup>	101 <sup>(14)</sup>	121 <sup>(12)</sup>	Orlando Arena	1989	\$100 million funded by bed & other city taxes
Philadelphia 76ers	75 <sup>(7)</sup>	59 <sup>(16)</sup>	81 <sup>(25)</sup>	93 <sup>(25)</sup>	CoreStates Spectrum	1967	new \$226 million arena opens this fall; co-owned and located w/NHL Flyers
Phoenix Suns	99 <sup>(6)</sup>	71 <sup>(10)</sup>	156 <sup>(5)</sup>	191 <sup>(2)</sup>	America West Arena	1992	\$90 million + city-bought land; owner owns half of arena; 87 suites; will co-occupy w/NHL team
Portland Trailblazers	60 <sup>(10)</sup>	84 <sup>(6)</sup>	132 <sup>(7)</sup>	137 <sup>(8)</sup>	the Rose Garden	1995	\$260 million privately-funded success story; 70 suites
Sacramento Kings	49 <sup>(19)</sup>	66 <sup>(11)</sup>	108 <sup>(13)</sup>	114 <sup>(14)</sup>	ARCO Arena	1988	owner owns arena
San Antonio Spurs	47 <sup>(20)</sup>	65 <sup>(12)</sup>	110 <sup>(11)</sup>	126 <sup>(10)</sup>	Alamodome	1993	funded w/half-cent sales tax incr.; team discussing new privately-funded arena
Seattle SuperSonics	37 <sup>(26)</sup>	51 <sup>(25)</sup>	119 <sup>(10)</sup>	129 <sup>(11)</sup>	Key Arena	1995	recent \$94 million renovations; 58 suites
Toronto Raptors	--	--	--	--	SkyDome	1989	privately-funded, \$200 million Air Canada Centre complex opens in 1997
Utah Jazz	45 <sup>(21)</sup>	72 <sup>(9)</sup>	127 <sup>(8)</sup>	142 <sup>(7)</sup>	Delta Center	1991	\$86 million; 56 suites; owner owns arena
Vancouver Grizzlies	--	--	--	--	General Motors Place	1996	owner owns \$163 million arena and co-located NHL team; no public \$\$; 88 suites
Washington Bullets	38 <sup>(25)</sup>	53 <sup>(24)</sup>	96 <sup>(16)</sup>	113 <sup>(16)</sup>	USAir Arena	1973	corp. owner building new \$175 million MCI Center and co-located NHL Capitals

SOURCE: Financial World magazine, various newspaper and magazine accounts



**TABLE 6**  
**National Hockey League Summary**

	FRANCHISE VALUE (\$ millions) and RANK WITHIN LEAGUE		CURRENT FACILITY		COMMENTS	
	1989/90	1993/94	1994/95	Name		Year
	--	108 <sup>(2)</sup>	99 <sup>(6)</sup>			
Anaheim Ducks	--	108 <sup>(2)</sup>	99 <sup>(6)</sup>	Arrowhead Pond of Anaheim	1993	\$120 million; 92 suites
Boston Bruins	57 <sup>(2)</sup>	106 <sup>(4)</sup>	111 <sup>(4)</sup>	Fleet Center	1995	\$155 million financed by 3 New England banks; 104 suites; co-located w/NBA Celtics
Buffalo Sabres	37 <sup>(17)</sup>	44 <sup>(19)</sup>	65 <sup>(15)</sup>	Memorial Auditorium	1940	new \$108 million arena near completion - mostly team-funded; 85 suites
Calgary Flames	52 <sup>(4)</sup>	50 <sup>(20)</sup>	54 <sup>(19)</sup>	Canadian Airlines Saddledome	1973	renovated in 1995 for \$35 million; 46 suites
Chicago Blackhawks	45 <sup>(7)</sup>	102 <sup>(5)</sup>	122 <sup>(2)</sup>	United Center	1994	\$165 million funded privately - owner owns half of arena; 210 suites; co-located w/NBA Bulls
<sup>2</sup> Colorado Avalanche	45 <sup>(7)</sup>	49 <sup>(22)</sup>	47 <sup>(22)</sup>	McNichols Sports Arena	1975	new \$150 million Pepsi Center on line for 1997/98; co-owned and located w/NBA Nuggets
<sup>3</sup> Dallas Stars	30 <sup>(20)</sup>	42 <sup>(21)</sup>	53 <sup>(20)</sup>	Reunion Arena	1980	discussing new \$140 million arena with NBA Mavericks
Detroit Red Wings	44 <sup>(12)</sup>	87 <sup>(1)</sup>	126 <sup>(1)</sup>	Joe Louis Arena	1979	team controls arena
Edmonton Oilers	52 <sup>(4)</sup>	51 <sup>(14)</sup>	42 <sup>(24)</sup>	Northlands Coliseum	??	arena renovated in 1994 for \$14 million; 51 suites; new 40-year lease favors team
Florida Panthers	--	47 <sup>(23)</sup>	45 <sup>(23)</sup>	Miami Arena	1988	losing money w/current lease; new \$172 million arena w/60 suites opens in 1998
Hartford Whalers	45 <sup>(7)</sup>	48 <sup>(15)</sup>	40 <sup>(25)</sup>	Hartford Civic Center	??	debt, poor attitude, small mkt, numerous gov't bailouts of team & arena; lease expires 1998
Los Angeles Kings	45 <sup>(7)</sup>	71 <sup>(5)</sup>	78 <sup>(10)</sup>	the Great Western Forum	1967	team wants new arena; co-located w/NBA Lakers
Montreal Canadiens	60 <sup>(1)</sup>	73 <sup>(4)</sup>	86 <sup>(9)</sup>	Molson Centre	1995	corporate owner also owns \$170 million arena; 230 suites
New Jersey Devils	35 <sup>(18)</sup>	47 <sup>(7)</sup>	58 <sup>(17)</sup>	Continental Airlines Arena	1981	new lease terms given after near-move to Nashville; co-located w/NBA Nets
New York Islanders	52 <sup>(4)</sup>	55 <sup>(10)</sup>	60 <sup>(16)</sup>	Nassau Coliseum	1972	team wants new arena w/more suites; no threat to leave - lease runs through 2015
New York Rangers	54 <sup>(3)</sup>	76 <sup>(3)</sup>	118 <sup>(3)</sup>	Madison Square Garden	1968	\$200mil rev'n in 1991 increased suites from 29 to 88; co-owned and located w/NBA Knicks
Ottawa Senators	--	56 <sup>(16)</sup>	56 <sup>(18)</sup>	Ottawa Paladium	1995	\$188 million including infrastructure upgrades; 176 suites
Philadelphia Flyers	43 <sup>(13)</sup>	58 <sup>(9)</sup>	102 <sup>(5)</sup>	CoreStates Spectrum	1967	new \$226 million arena opens this fall; co-owned and located w/NBA 76ers
Pittsburgh Penguins	42 <sup>(14)</sup>	53 <sup>(11)</sup>	76 <sup>(12)</sup>	Pittsburgh Civic Arena	1967	\$12 million renovation in 1994; team wants additional \$10 million renovations
St. Louis Blues	32 <sup>(19)</sup>	52 <sup>(12)</sup>	74 <sup>(13)</sup>	Kiel Center	1995	\$170 million including infrastructure - funded mostly by team; land donated by city; 80 suites
San Jose Sharks	--	43 <sup>(20)</sup>	66 <sup>(13)</sup>	San Jose Arena	1993	\$140 million; 64 suites
Tampa Bay Lightning	--	55 <sup>(17)</sup>	48 <sup>(21)</sup>	Thunderdome	1990	new \$153 million arena opens this fall; 72 suites; lease is free; team keeps revs
Toronto Maple Leafs	45 <sup>(7)</sup>	63 <sup>(7)</sup>	96 <sup>(7)</sup>	Maple Leaf Gardens	1934	\$10 million renovation in 1995
Vancouver Canucks	42 <sup>(14)</sup>	61 <sup>(8)</sup>	87 <sup>(7)</sup>	General Motors Place	1996	owner owns \$163 million arena and co-located NHA team; no public \$\$; 88 suites
Washington Capitals	38 <sup>(16)</sup>	45 <sup>(18)</sup>	59 <sup>(15)</sup>	USAir Arena	1973	corp. owner will own new \$175 million MCI Center and co-located NHA Bullets
Winnipeg Jets	30 <sup>(20)</sup>	35 <sup>(22)</sup>	34 <sup>(26)</sup>	[America West Arena]	1992	moving to Phoenix in 1996; will co-occupy America West Arena w/NBA Suns

SOURCES: Financial World magazine, various newspaper and magazine accounts

<sup>1</sup> 1994/95 figures are projected as if players strike had not occurred

<sup>2</sup> team located in Quebec through the 1994/95 season

<sup>3</sup> team located in Minneapolis through the 1992/93 season



## APPENDIX B

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